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FISCAL SURVEY

of the STATES

October 1988

NATIONAL GOVERNORS' ASSOCIATION · NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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Preface

The Fiscal Survey of the States is published semi-annually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1977. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. While not the totality of state spending, these funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of states. A separate survey that includes all state spending broken down by functional areas is also conducted by NASBO annually.

The field survey on which this report was based was conducted by NASBO in June and July of 1988. The questionnaires were completed by Governors' state budget offices in each of the 50 states. After compilation, the figures were sent to the survey respondents for verification.

Fiscal 1987 numbers represent actual amounts except where noted otherwise; fiscal 1988 numbers represent estimated or preliminary actuals and fiscal 1989 amounts, except where noted, reflect the approved budgets for fiscal 1989. Forty-six states close their fiscal years on June 30. New York's fiscal year ends on March 31. Texas' fiscal year will close on August 31, while Michigan's and Alabama's close on September 30.

The Fiscal Survey of the States is the result of a cooperative effort of the National Governors' Association and the National Association of State Budget Officers. Text and data for the report were written and assembled by Marcia Howard, Judy Matteucci and Terrence Raftery, with additional support provided by Steve Geloso of the National Association of State Budget Officers. Gerry Feinstein and Mark R. Miller of the National Governors' Association edited the survey.

Executive Summary

At the conclusion of 1988 legislative sessions, state government finances continued to hold the line, providing for a continuation of existing services. State governments have increased spending for fiscal 1989 by 6.8 percent – a growth rate that is close to that experienced during the prior two fiscal years. In terms of real spending increases, states are at the lowest rate since the recession, which means states have been unable to afford significant program expansion.

Although 27 states passed tax initiatives during 1988 legislative sessions, the tax changes had a fairly narrow scope, and focused primarily on conformity to federal tax structure, additional exemptions, and increases in gasoline taxes. Only one state (West Virginia) increased its sales tax rate during the 1988 legislature, while another (Arizona) undertook a comprehensive adjustment of many of its tax laws.

The gap between revenues and expenditures narrowed considerably in fiscal 1989, with the growth in expenditures exceeding the growth in revenues. This situation will eventually put pressure on the ending fund balances, which, if they hold as projected, are already at the lowest point in the 12-year history of the survey. Nor will budget stabilization funds be able to bear the burden of an economic downturn. The 27 states reporting balances in their budget stabilization funds show average balances of approximately 1 percent.

States, therefore, are in a precarious position and are vulnerable to economic swings or changes in federal grants and aid.

Major findings of the September survey include:

- States are reporting steady, yet moderate, growth in expenditures. State general fund expenditures grew 6.3 percent in fiscal 1987, 6.0 percent in fiscal 1988, and 6.8 percent in fiscal 1989.
- In real terms, the growth in state spending in the last three fiscal years is the lowest since the recessionary 1982 - 1983 period when state spending witnessed negative growth.
- Eighteen states reduced expenditures or introduced other means to deal with projected shortfalls in fiscal 1988.
- Revenue collections exceeded expenditures in all three fiscal years surveyed. However, the rate of growth in revenues is declining from 8.3 percent growth in fiscal 1987 to 5.7 percent growth in fiscal 1988 to 5.4 percent growth in fiscal 1989. The growth rate of revenues is not projected to keep pace with the growth rate of expenditures in fiscal 1989.
- Twenty-seven states passed tax measures during the 1988 legislative sessions. The anticipated tax yield of the measures, however, is less than $1 billion, much of which is attributable to motor vehicle fuel tax increases.
- Personal income tax and sales tax collections for fiscal 1988 are projected to be just under 2 percent higher than the estimates used when the original budgets were approved. Six states reported lower than anticipated collections in personal income taxes and 12 states reported lower than anticipated sales tax collections.

- General fund ending balances are at the lowest point in the 12-year history of the survey showing at 1.7 percent in fiscal 1987, 2 percent in fiscal 1988, and 1.1 percent in fiscal 1989.
- Twenty-seven states report revenue in their budget stabilization funds. The average stabilization fund was 1.4 percent of total expenditures in fiscal 1987, 1.2 percent in fiscal 1988, and 1.4 percent in fiscal 1989.

I. State Expenditure Developments

Overview

In all but a few states, the legislative die has been cast on the 1989 budgets. State expenditures are anticipated to top the $246.6 billion mark for that fiscal year. This spending level is slightly over 6.7 percent higher than the estimated expenditures for fiscal 1988 and continues a remarkably consistent three-year pattern of annual growth. State expenditures have grown at an average of approximately 6 percent for each of the last three fiscal years (6.3 percent in fiscal 1987; 5.97 percent in fiscal 1988; and 6.76 percent in fiscal 1989). This moderate, yet sustained growth, represents the most consistent nominal growth in a decade and is indicative of states' continuing efforts to maintain existing programs and live within their resources.

These nominal increases translate into similar real increases in state spending for the same time periods. Real spending is that which remains after adjustments for inflation have been taken into consideration. As shown in Table 1, the level of state spending in real terms was up 2.6 percent in fiscal 1987; 1.9 percent in fiscal 1988; and 2.2 percent in fiscal 1989. This real increase in spending is the lowest since the recessionary 1982-1983 period when state spending declined in real terms. These low percentages of real growth are further evidence that state governments have maintained existing programs and have resisted significant program expansion.

It is important to realize that the projected levels for 1989 could be negatively impacted by any change in economic conditions or decreases in federal aid to state governments, which loom on the federal agenda as potential means of dealing with the federal deficit and the nation's economy.

Table 1
STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, FISCAL 1979-1989

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
1989	6.8% (est.)	2.2% (est.)
1988	6.0 (est.)	1.9 (est.)
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-89 average	8.0%	1.6%

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes.

There are, of course, significant differences among the states in anticipated rates of growth for fiscal 1989 as can be seen in Table 2 and Figure 1.

Table 2
ANNUAL STATE GENERAL FUND EXPENDITURE INCREASES

	Nominal Change		
Budget Growth Rate	*Fiscal 87 (Actual)*	*Fiscal 88 (Estimated)*	*Fiscal 89 (Appropriated)*
Less than 0%	6	6	2
0.00-5.0%	17	10	17
5.01-10.0%	19	23	16
Over 10.01%	8	11	15
Average Growth Rate	6.3%	6.0%	6.8%

Only two states, Alaska and Wyoming, are entering fiscal 1989 with anticipated spending levels lower than the previous year's. Six states experienced negative growth in the prior two fiscal periods. In contrast, 31 states are entering fiscal 1989 with expenditure growth anticipated to exceed 5 percent. For further information on state expenditures and rates of growth for particular states, see Appendix Tables A-1, A-2, A-3, and A-6.

One-Time Expenditures

One-time expenditures are designated for nonrecurring purposes. They occur irregularly and are usually funded with general fund surpluses. As such, one-time expenditures can distort the growth patterns in state spending. For these reasons, state respondents were asked to identify one-time expenditures. As shown in Appendix Tables A-1, A-2, and A-3, one-time expenditures totaled $1.4 billion in fiscal 1987, $2.1 billion in fiscal 1988, and $1.5 billion in 1989 – or less than 1 percent of total expenditures for each of the fiscal years reported.

However, the percentages of one-time expenditures varied dramatically from state to state. While 33 states reported no one-time expenditures, 17 states reported making one-time expenditures during one of the three fiscal years surveyed. Of those states reporting one-time expenditures, total percentages ranged from a high of more than 12 percent in Massachusetts in fiscal 1988 to a low of .2 percent in New Mexico in fiscal 1989.

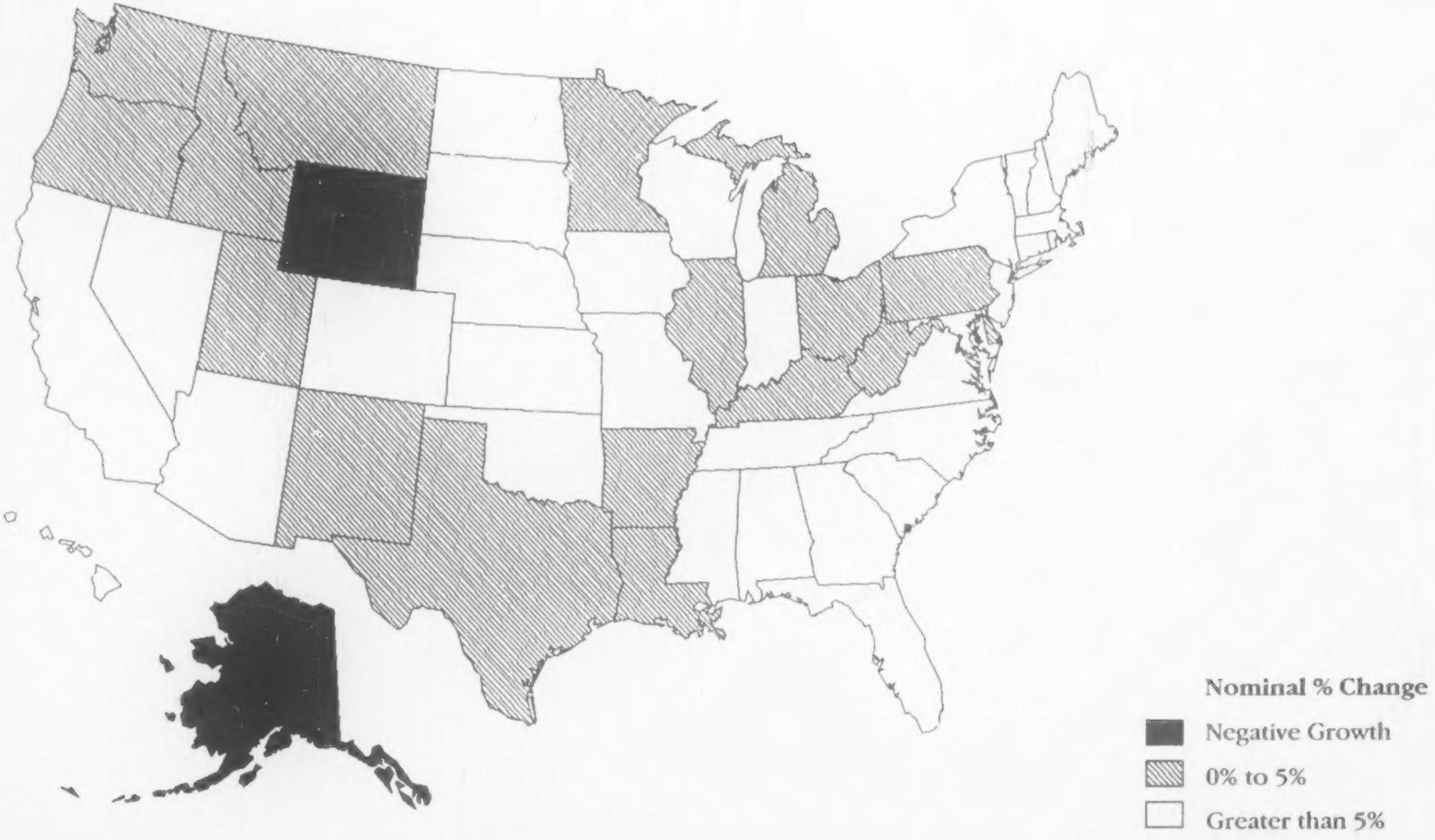
Biennial States

Twenty-one states have been identified as biennial states, with all but Kentucky, Virginia, and Wyoming beginning their bienniums in odd-numbered years. With the next survey, biennial-to-biennial expenditure comparison information will be available. The current survey still reports biennial states using annual information.

Budget Management

One of the most difficult issues to deal with during a budgeting cycle is the need to reduce budgets after they have been enacted by the legislature. This is generally due to a

Figure 1
NOMINAL EXPENDITURE GROWTH IN FISCAL 1989 STATE BUDGETS


Nominal % Change
■ Negative Growth
▨ 0% to 5%
☐ Greater than 5%

shortfall in revenues as well as constitutional or statutory requirements for balanced budgets. Interest in this area is particularly acute this year due to the much publicized revenue shortfalls in California, Massachusetts, and New York. In total, 18 states had to address budget or cash flow shortfalls during fiscal 1988.

Eleven states (Arizona, Hawaii, Kentucky, Louisiana, Massachusetts, Michigan, Missouri, North Dakota, Washington, West Virginia, and Wyoming) adopted formal cutback strategies during fiscal 1988 to eliminate $903 million from their enacted budgets. As shown in Table 3, formal cuts ranged from a high of 5.9 percent of general fund expenditures in Kentucky to a low of .2 percent in Arizona.

It is also interesting to note that Colorado released its formal general fund restriction that had been enacted in January of 1988 to save $24 million in that budget (as reported in the *Fiscal Survey of the States – March 1988*), and instead used $38 million in the general fund reserve and reduced the state's general fund balance to meet budget needs. Other states also used a variety of informal or administrative means to meet balanced budget requirements and avoid formal cutbacks including:

Arizona	In addition to the general cuts shown in Table 3, Arizona postponed the last $56.1 million school aid payment until July of 1988.
California	When California's shortfall became known, it was too late to institute effective budget cutback strategies. For this reason, California reduced its budget stabilization fund and ending fund balance from the approximate $1 billion balance anticipated in the March survey to a combined total of $38 million shown in the current survey. California also borrowed from internal and bond market sources to address cash-flow needs.
Connecticut	Connecticut drew down the budget reserve fund to cover a fiscal 1988 projected deficit of $77.5 million.
Idaho	Idaho borrowed $100 million from the bond market to cover its cash-flow needs.
Illinois	Illinois extended its Medicaid billing cycle, postponed tax relief grants, and deferred tax refunds to save $339 million in fiscal 1988.
Kentucky	In addition to the formal cutbacks instituted in Kentucky, the budget reserve trust fund of $50 million was eliminated.
Louisiana	In addition to formal cutbacks, Louisiana borrowed more than $600 million from internal state funds, sold $530 million in revenue anticipation notes during the fiscal year, withheld $220 million in income tax refunds and delayed $250 million in payables to creditors such as vendors, payroll, and retirement systems to meet budget needs.
New York	New York transferred $132.5 million from the tax stabilization reserve fund at year end.
North Dakota	In addition to formalized cutbacks, North Dakota borrowed $40 million for start-up cash flow needs.
Texas	Texas borrowed $1.25 million in short-term cash management notes.

Table 3
STATE BUDGET CUTS ADOPTED IN FISCAL 1988 AFTER THE APPROPRIATIONS BILL HAD PASSED

State	*Amount (in mil.)*	*Cut as % of G.F. Expenditures*	*Action Taken By*	*Selective vs. Across the Board*	*Dates Enacted*	*Notes*
Arizona	6.3	.24%	Legislature	Both	3/88	Net of supplementals.
Hawaii	34	1.9	Governor	Selective	7/87	Exempted aid to counties, fixed charges, and repairs and maintenance.
Kentucky	183.5	5.9	Governor	Selective	7/87 1/88	Exempted school district payments.
Louisiana	66	1.7	Governor	Selective	12/87 1/88 2/88 3/88	
Massachusetts	447	5.8	Governor/ Legislature	Selective	6/88	Borrowed internally; reverted surplus from continuing accounts; accelerated federal cash flow. (Amount includes $97 million in actual spending cuts.)
Michigan	48	0.7	Legislature	ATB	12/87	
Missouri	70	2.0	Governor	ATB	6/87 11/87	Exempted aid to schools, Medicaid, statutory disbursements, selected higher education, and mental health programs.
North Dakota	3	0.6	Legislature	ATB	10/87	
Washington	18	0.4	Governor	Selective	7/87	Only agencies with directors appointed by the Governor were asked to comply.
West Virginia	8	0.1	Legislature	Selective	2/88	
Wyoming	19	2.5	Legislature	Both	3/87	Cuts are for fiscal 1987-88 biennium.

West Virginia In addition to formal cutbacks, West Virginia borrowed $50 million from the consolidated investment fund and $30 million from the coal workers pneumoconosis (black lung disease) fund to pay Medicaid payments.

Wyoming Wyoming transferred $73 million from the budget reserve account in addition to other formal cuts.

Only the future will tell if the strategies employed by these 18 states will be sufficient to keep them from having to repeat some or all of these measures in the coming year.

Particular challenges may be presented in fiscal 1989 to states where the impact of the lower than anticipated corporate and personal income tax receipts will be more significantly felt than in fiscal 1988. In addition, the effect of the drought, particularly on the midwestern states, remains to be seen and will begin to show during fiscal 1989.

Other Expenditure Issues

Survey respondents were asked special questions in two other areas relating to increases in AFDC cost of living increases and aid to local governments.

Aid to Families with Dependent Children. As can be seen in Table 4, 26 states approved cost of living increases or adjustments in the standard of need for recipients of aid to families with dependent children (which includes the three states with automatic cost of living adjustments). It is interesting to note that in 69 percent of those states increasing grants in fiscal 1989 (or 18 of 26 states), the gubernatorial recommendations called for increased payment levels. In eight states, cost of living increases were implemented through legislative initiative. The approved increases ranged from a high of 8 percent and 8.9 percent in Hawaii and Tennessee, respectively, to a low of .5 percent and 1 percent in Michigan and Missouri, respectively.

Aid to Local Governments. Respondents were also asked to identify any new programs approved by the 1988 legislature to provide aid to local governments. Fifteen states identified new programs that were approved. In California, Maine, Maryland, Massachusetts, Minnesota, Nebraska, South Dakota, Tennessee, Utah, Vermont, and Virginia, all or part of the Governor's proposals were adopted. A listing of the programs is included in Table 5.

Table 4
COST OF LIVING INCREASES FOR AID TO FAMILIES WITH DEPENDENT CHILDREN--FISCAL 1989

State	*Approved 1989*	*State*	*Approved 1989*
Alabama	N/A	Montana	0.0
Alaska*	2.0	Nebraska	4.6
Arizona	0.0	Nevada	1.5*
Arkansas	0.0	New Hampshire	2.0
California *	4.7	New Jersey	0.0
Colorado	*	New Mexico	0.0
Connecticut*	3.7	New York	0.0
Delaware	2.3	North Carolina	0.0
Florida	4.5*	North Dakota	4.0
Georgia	2.8	Ohio	4.0*
Hawaii	*	Oklahoma	5.0
Idaho	0.0	Oregon	2.0
Illinois	0.0	Pennsylvania	0.0
Indiana	N/A	Rhode Island	5.3
Iowa	6.0	South Carolina	0.0
Kansas	5.0	South Dakota	0.0
Kentucky	5.0	Tennessee	8.9
Louisiana	0.0	Texas	0.0
Maine	5.0*	Utah	0.0
Maryland	5.0	Vermont	3.0
Massachusetts	5.5	Virginia	0.0
Michigan	.5	Washington	0.0
Minnesota	0.0	West Virginia	0.0
Mississippi	0.0	Wisconsin	0.0
Missouri	1.0	Wyoming	0.0

NOTES:	Alaska	Automatic cost of living adjustments tied to the Social Security Administration's COLA.
	California	Automatic cost of living adjustments tied to Consumer Needs Index, December to December.
	Colorado	Standard of need was increased for fiscal 1989.
	Connecticut	Automatic cost of living adjustments tied to Consumer Price Index-Urban Wage Earners.
	Florida	Increase effective January 1989.
	Hawaii	Varies from 1.5% to 8% depending upon family size.
	Maine	Increase effective January 1989.
	Nevada	Only recipients who do not live in subsidized housing.
	Ohio	Increase effective January 1989.

Table 5
NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT
FISCAL 1989

California	A new form of stabilization grant was approved at a statewide level of $15.3 million. The formula driven grant is to stabilize counties' increased costs for specific health and welfare programs as measured against their general support revenue growth. The Governor is also proposing trial court finding for localities commencing January 1, 1989.
Colorado	The legislature revised the K-12 school finance act and provided local property tax relief especially for less wealthy counties.
Connecticut	The state funded a residential tax credit program based on effective tax rate in each municipality.
Maine	The legislature adopted the Governor's proposals.
Maryland	The legislature adopted the Governor's proposals including aid for special education, magnet schools, textbooks, local libraries, and community colleges.
Massachusetts	The legislature adopted the Governor's proposals.
Minnesota	The legislature adopted the Governor's proposal for 100% state funding of non-federal share of income maintenance costs. The legislature also passed "disparity aid" to reduce high mil rates to be allocated to all local governments in proportion to their levies.
Nebraska	The legislature adopted the Governor's proposals.
New Jersey	The legislature provided $18 million for the first year implementation of the state takeover of county courts. The proposal is subject to enabling legislation which would identify a permanent funding source.
South Dakota	The legislature adopted the Governor's proposals.
Tennessee	The legislature adopted the Governor's proposals.
Utah	The legislature adopted the Governor's proposals to take over funding for district courts.
Vermont	The legislature adopted the Governor's proposal to create a municipal and regional planning fund paid for through an increase in the property transfer tax.
Virginia	The legislature adopted all four of the Governor's proposals.
Wyoming	The legislature redirected out-of-state sales tax distribution and severance tax/mineral royalties to local governments.

II. State Revenue Developments

Overview

Although the March survey predicted an "uneventful" legislative year on the tax front, much publicized lower-than-anticipated personal income tax collections in California, Massachusetts, and New York caused 1988 to be anything but uneventful on the revenue side of the budget ledger.

Owing largely to the constitutional or statutory requirements that budgets be balanced, state revenue collections are generally very similar to or slightly higher than state expenditures. This fiscal survey shows no difference in this general rule with fiscal 1987 revenues reported at $223.4 billion compared with expenditures of $218 billion; fiscal 1988 revenues at $236.2 billion compared with expenditures of $231 billion; and fiscal 1989 revenues at $249 billion compared with expenditures of $246.6 billion.

However, a trend may be developing in the rate of growth in expenditures when compared to the rate of growth in revenues. In fiscal 1987, survey respondents reported a growth in revenues of 8.3 percent with all but six states (Alaska, Louisiana, Montana, North Dakota, West Virginia, and Wyoming) reporting positive revenue growth. This compares favorably with the growth rate in expenditures of 6.3 percent. In fiscal 1988, revenue growth was reported at 5.7 percent with the expenditure growth rate nearly equal at 6 percent.

However, in fiscal 1989, the early revenue estimates show a revenue growth of 5.4 percent, compared with expenditure growth of 6.8 percent – a trend that could lead to fiscal difficulties in the future. While there could be several explanations for this difference, it is obvious that if it continues for an extended period of time, the inevitable reconciliation between the need for additional revenues or constrained state spending will have to be addressed.

Revenue Collections for Fiscal 1988

The event in state budgeting that received the most publicity during the spring and summer months of 1988 was the shortfall in personal income tax collections in California, Massachusetts, and New York and the impact these shortfalls would have on state budgets. To evaluate the extent of these shortfalls, the current survey asked states to report the estimated collections for both personal income and sales taxes as included in the originally enacted fiscal 1988 budget when compared with the current estimate or actual collections. These responses can be reviewed in Appendix Table A-7.

According to survey responses, personal income tax collections generated slightly less than $81 billion in fiscal 1988, which is a scant 1.7 percent higher than the $79.2 billion that had been built into the budgets when they were adopted. As can be seen on Table A-7, six states – California, Delaware, Kentucky, Massachusetts, New Jersey, and West Virginia – reported receipts lower than projected ranging from a high of 6.4 percent in West Virginia to a low of .8 percent in New Jersey. Massachusetts receipts were 3.9 percent lower than projected while California's were 5.2 percent lower.

New York's widely reported revenue shortfall will not appear in the data in Table A-7 because the state's fiscal year begins on April 1 and ends on March 31. However, New

York reported fiscal 1989 data for comparability purposes, which showed the estimated personal income tax receipts to be 7.4 percent lower than originally projected.

Table A-7 also shows sales tax projections and collections for the 45 states imposing them in fiscal 1988. Current estimates put sales tax collections at $81.1 billion for fiscal 1988 (or nearly equal the amount generated by personal income tax collections). This amount is 1.9 percent higher than the $79.6 billion included in the budgets when they were originally approved. Twelve states currently estimate that collections will be lower than the original projections.

Fiscal 1989 Tax Changes

In all, 27 states enacted new revenue initiatives for fiscal 1989 for a total of slightly under $800 million in additional revenue. This figure pales in comparison to the $6 billion that was raised in fiscal 1988.

A listing of the specific measures taken by 1988 legislatures, the effective dates for the legislation, and the estimated impact is included in Appendix Table A-8.

Personal Income Tax

Thirteen states passed tax measures that impacted personal income taxes. Most of these actions were related to conformance with federal income tax reform; increases in the allowed deductible amounts or reductions in the number of state income tax brackets such as in Arizona, Hawaii, Kansas, Maine, Minnesota, Nebraska, Oklahoma, Utah, Vermont, and Wisconsin; and for the most part resulted in losses in general fund revenue. Louisiana removed certain exemptions and Idaho did not increase the level of personal exemptions as a means of providing additional revenue to state coffers.

Sales Tax

Sales tax activity in state legislatures was evenly divided between increasing tax rates or bases and increasing exemptions. West Virginia increased its sales tax rate from 5 percent to 6 percent and extended it to cover certain items in soft drinks for a total projected sales tax increase of $79 million. Arizona increased the tax rate on rental of real property from 3.75 percent to 5 percent, raised the hotel/motel tax from 4 percent to 5.5 percent and extended the tax base to casual commercial rentals which, in combination with other actions, is anticipated to increase revenue by $23.1 million. In addition, Louisiana suspended 2 percent of all sales tax exemptions for an increase of $266 million, while Missouri taxed video cassette rentals and exempted materials used in nonprofit construction projects. Massachusetts repealed the exemption from sales tax on cigarettes for an increase of $37 million. The bulk of all other activity increased exemptions, which resulted in a loss to the general fund, as in Kansas, where $13 million in general funds is anticipated to be lost through the extension of exemptions from sales tax to several items, and in Minnesota, where university or college exemptions were restored and aspirin was exempted from sales tax.

Notably, two states, Minnesota and North Carolina, extended taxes on out-of-state mail order sales in a preface toward increased state activity in extending state sales tax to mail order activity.

Business Tax

Nine states enacted business tax legislation including Arizona, Kansas, Massachusetts, Minnesota, New Hampshire, North Carolina, and Wisconsin, all of which passed legislation to conform to the federal tax code or adjust corporate liability levels. Arizona is anticipating $29 million in additional revenue from changes to its corporate tax structure, which included increasing the capital gains rate. Minnesota anticipates a tax gain of nearly $28 million from federal conformity legislation while New Hampshire and North Carolina are anticipating revenue losses due to a decrease in the corporate rate or changes in apportionment formulas for out-of-state corporations. North Carolina, however, anticipates recouping its tax loss from the apportionment formula change through an increase in the corporate estimated tax liability.

Cigarette Taxes

Very few states went to the "sin taxes" for additional revenues. Iowa increased their revenue by $20 million through an 8-cent-per-pack increase while Rhode Island anticipates a $2.4 million increase through a 2-cent-per-pack increase.

Motor Fuel Taxes

Seven states raised motor vehicle fuel taxes to raise an additional $196 million in revenue for roads and highways. Kentucky revamped its motor carrier usage tax system to a weight-distance system, which resulted in a net loss of $5.2 million.

Miscellaneous

Two states adjusted their insurance premium tax rates, including Arizona, which also increased the general fund share of auto license taxes, increased the property tax for education, and applied the property tax to unorganized districts for a general fund gain of nearly $66 million.

III. Year-end General Fund Balances and Budget Stabilization Funds

Ending Balances

The bottom line in budgeting and one of the leading indicators of fiscal health in state budgets is the general fund ending balance. This survey has generally recognized the government standard of 5 percent of total expenditures as representing an adequate ending balance. An ending balance of this size is necessary to provide cash flow during the year, to accommodate the cyclical nature of revenue collections and disbursements, and most particularly, to provide sufficient revenues at the change of a fiscal year without disruption in service.

However, state governments have not achieved the 5 percent standard in the aggregate since 1980, when the ending balances of all states represented 9 percent of total expenditures. As of this survey, states have reached the lowest point in the twelve-year survey of ending balances as a percent of expenditures.

As can be seen in Table 6, the 1.1 percent aggregate estimated ending balance figure shown in fiscal 1989, if maintained at that level, is the lowest ever recorded (even lower than ending balances shown during the 1982-1983 recessionary period) and is indicative of the narrow margin on which states plan on operating in the coming fiscal period. In addition, it should be noted that the aggregate general fund balances in the prior two fiscal periods – 1.7 percent in fiscal 1987 and 2 percent in fiscal 1988 – were the lowest since the 1.3 percent recorded in fiscal 1983.

Table 6
SIZE OF GENERAL FUND YEAR-END BALANCES, FISCAL 1978-1989

Fiscal Year	*Year-End Balances ($ in Billions)*	*Balance as a Percentage of Expenditures*
1989 (est.)	$2.6	1.1%
1988 (est.)	4.7	2.0
1987	3.7	1.7
1986	5.4	2.6
1985	8.0	4.3
1984	5.6	3.5
1983	2.0	1.3
1982	4.5	3.0
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7
1978	8.9	8.6

NOTE: Does not include balances from budget stabilization funds.

Perhaps more telling of the widespread narrowing of the gap between expenditures and revenues is the number of states that are budgeting for balances of 1 percent or less in fiscal 1989 when compared to those with similar ending balances in fiscal 1988 (Table 7). As can be seen in Table 7 and in Figure 2, 13 states ended fiscal 1988 with ending balances of 1.09 percent or less while 18 states ended with balances over 5.1 percent. By fiscal 1989 (Figure 3), the number of states with razor-thin ending balances of 1.09 percent or less had more than doubled to 29 states. In stark contrast, only eight states (Delaware, Hawaii, Kansas, Montana, Nebraska, Nevada, Oklahoma, and Wyoming) are anticipating fiscal 1989 ending balances in excess of 5.1 percent.

Table 7
GENERAL FUND YEAR-END BALANCES AS A PERCENTAGE OF EXPENDITURES

	Fiscal 1987 Actual (# of States)	*Fiscal 1988 Estimated (# of States)*	*Fiscal 1989 Appropriated (# of States)*
1.09 % or less	15	13	29
1.10 - 3.09 %	12	11	10
3.10 - 5.09%	11	8	3
Over 5.10%	12	18	8
Average Percentage	1.7%	2.0%	1.1%

It is also interesting to note that during both the fiscal 1988 and fiscal 1989 time periods, only seven states (Delaware, Hawaii, Kansas, Montana, Nebraska, Nevada, and Oklahoma) met or exceeded the 5 percent standard for ending balances used by this survey in recognizing balances sufficient to support government activity in times of economic fluctuation.

The change in the amounts of money included in ending balances has also been dramatic, as illustrated in Figure 4. The fiscal 1988 ending balances are now estimated at $4.7 billion, up 7.3 percent from the estimate for the same time period in March. However, the fiscal 1989 aggregate ending balances are estimated to drop by $1.1 billion from the level proposed by Governors in the March survey, constituting a 30 percent decrease in the size of ending balances.

The individual state general fund balances, which comprised the aggregate, have also undergone a good deal of change. In the last survey, the combined balances of California, New Jersey, and Minnesota comprised 53 percent of the total estimated ending balances in fiscal 1988. In the current survey, it takes six states' ending balances (Hawaii, Kansas, Minnesota, New Jersey, North Carolina, and Ohio) to comprise 52 percent of the ending balances. This is due largely to the dramatic decrease in the California ending balance in fiscal 1988.

Notable, too, are those states with negative ending balances. In fiscal 1988, two states (Louisiana and Texas) had negative budget balances in excess of $1.1 billion. In fiscal 1989, two states again are anticipating negative ending balances. This time, however, Alaska and New York's anticipated ending balances total is a negative balance of only $146 million.

Figure 2
YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1988

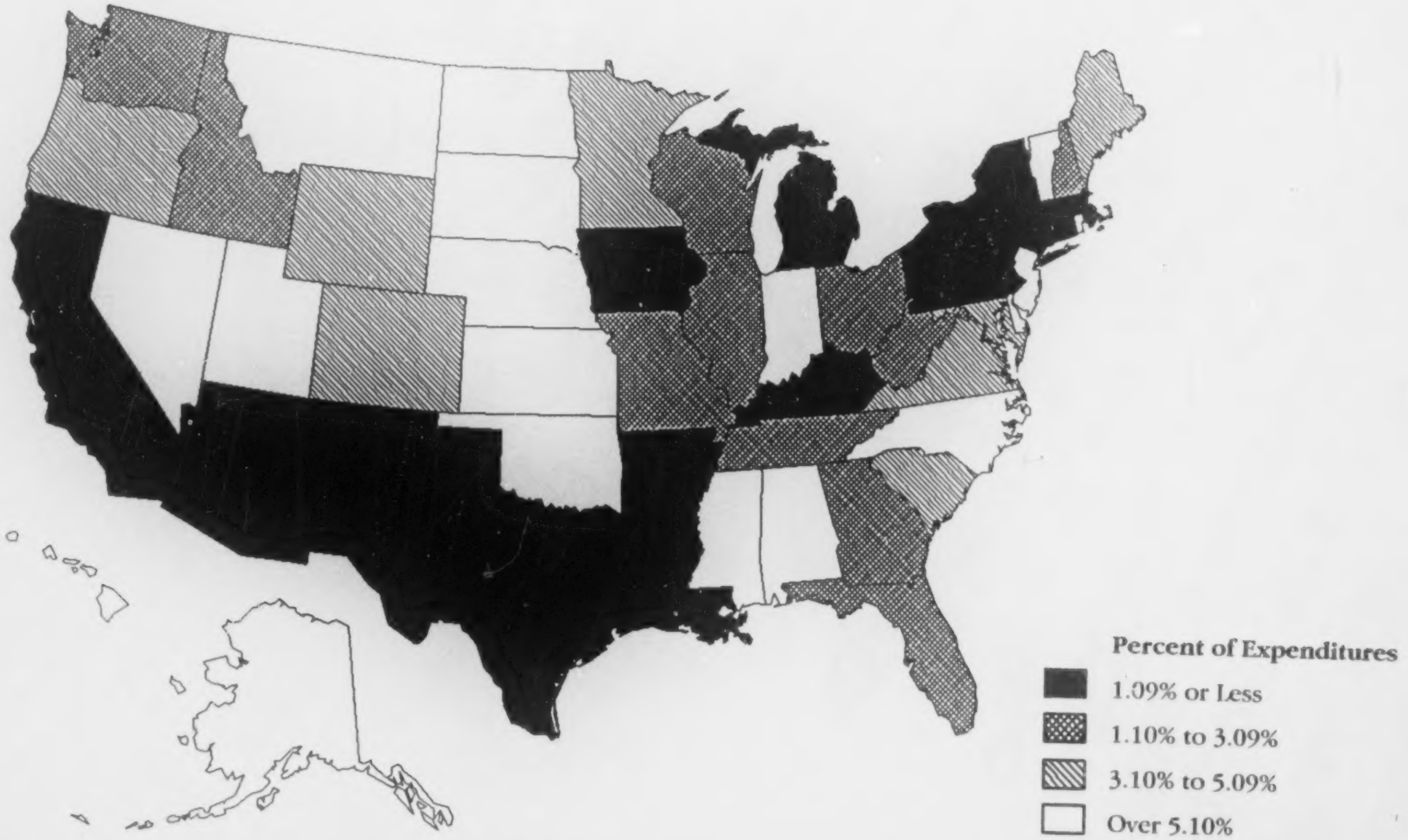

Percent of Expenditures
1.09% or Less
1.10% to 3.09%
3.10% to 5.09%
Over 5.10%

Figure 3
YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1989

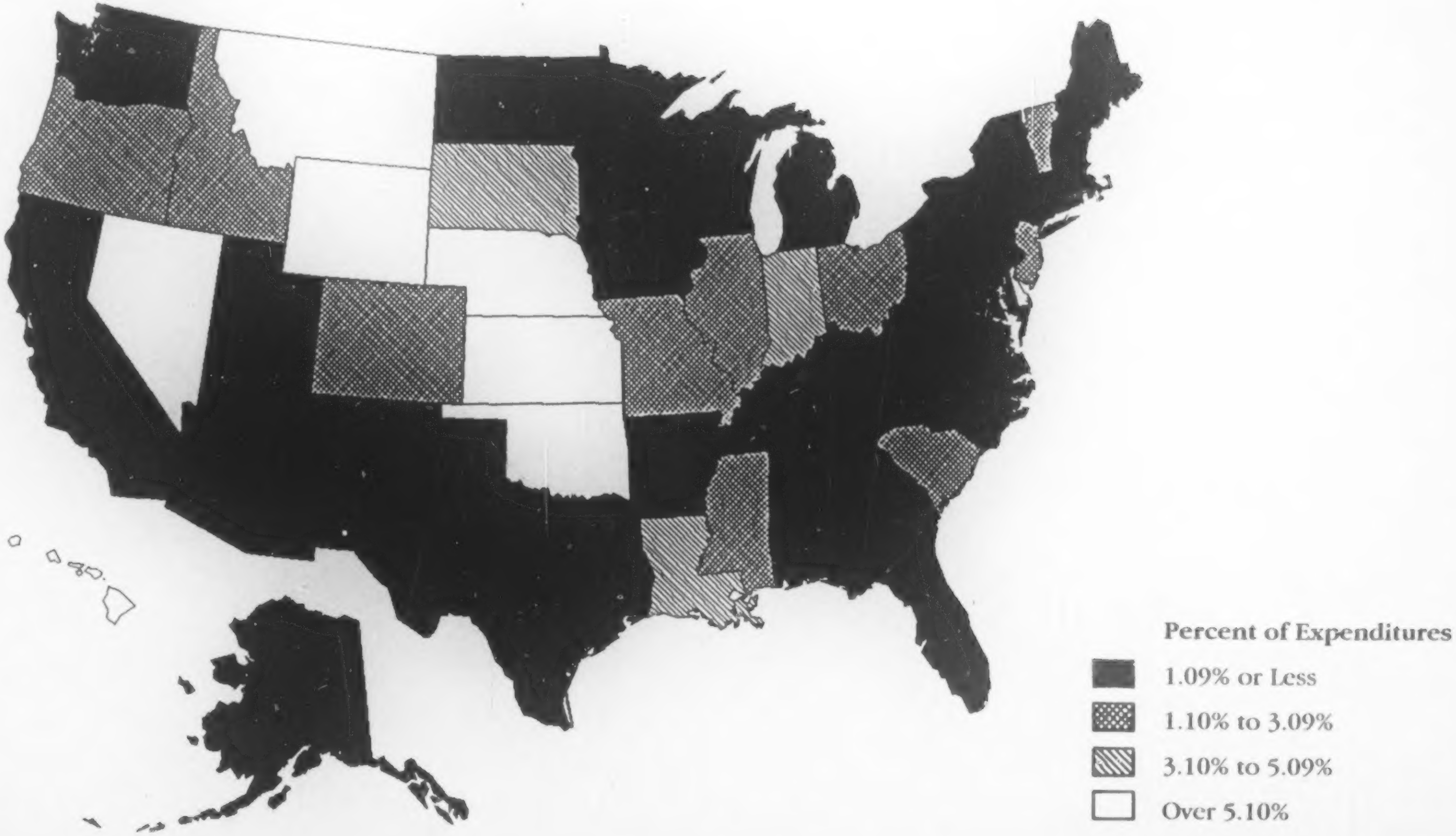
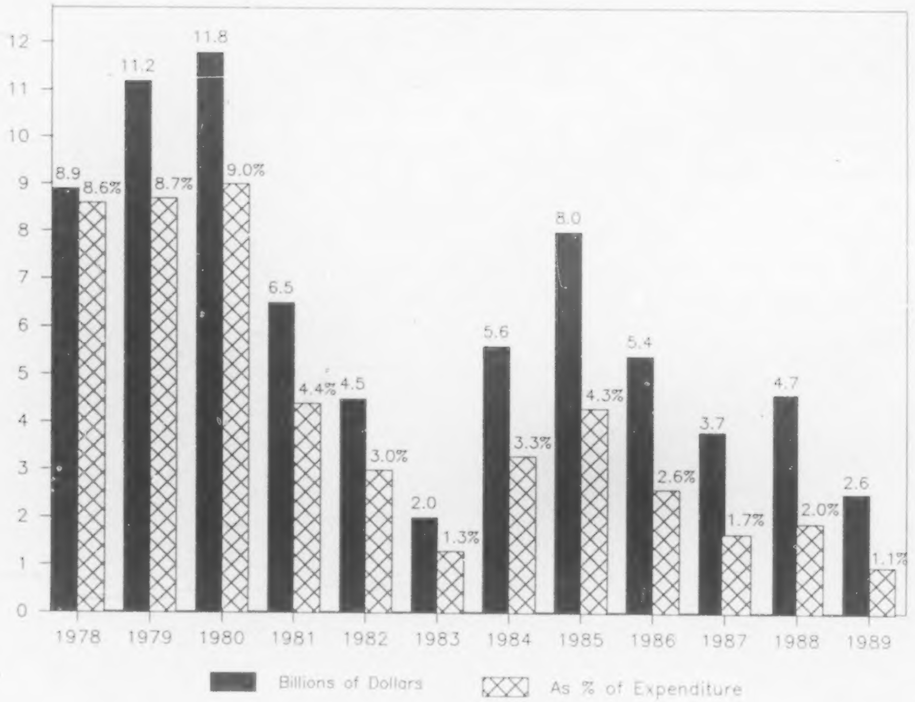

Percent of Expenditures
■ 1.09% or Less
▩ 1.10% to 3.09%
▧ 3.10% to 5.09%
☐ Over 5.10%

Figure 4
SIZE OF GENERAL FUND YEAR - END BALANCES
Fiscal 1978 to 1989



The causes of fluctuations in ending balances are many and varied. A change in economic conditions, either upward or downward, can result in dramatic shifts in state revenue and expenditures (the Louisiana and Texas stories are largely due to the drop in oil prices a few years ago). Revenue estimating (particularly during tax reform) is a difficult business, especially when the variables are outside the control of those making the revenue estimates (the California ending balance decrease of nearly $1 billion is a dramatic demonstration of such a situation). Major tax rebates or the "spending down" of accumulated surpluses can also have an impact on the level of general fund balances (such as in Utah in fiscal 1989). And, finally, the advent of budget stabilization funds have also provided additional avenues through which Governors and budget officers can attempt to control the ups and downs in state expenditures.

Budget Stabilization Funds

Since fiscal 1983, states have begun to rely on the use of budget stabilization funds to protect state budgets from the dramatic shifts that can be brought about by sharp declines in the economy. Generally, these funds are not used to meet the day-to-day cash flow problems states experience due to the cyclical nature of revenues and expenditures. As can be seen in Appendix Table A-5, 27 states are reporting an average of just slightly over $3 billion in budget stabilization funds in each of the fiscal years encompassed in this report. In both fiscal 1987 and fiscal 1989, budget stabilization funds equaled 1.4 percent of expenditures, dropping to 1.2 percent in fiscal 1988. Even if these funds are combined with ending balances to determine exactly how much states actually have on reserve for emergencies or economic downturns, the total funds do not come near the 5 percent of total expenditures that has been set as the standard.

The individual changes in states' budget stabilization funds are indicative of state budget actions in fiscal 1988 and fiscal 1989. California's budget stabilization and ending balances fund show the largest drawdown since the March survey, with a decrease from the combined $962 million reported in March to a combination of $38 million in the current survey. Connecticut's budget stabilization fund shows a steady decline over the three years reported in this survey, declining from 7.3 percent in fiscal 1987, to 4.86 percent in fiscal 1988, to 3 percent in fiscal 1989.

In addition, New Mexico reported some statutory reconfigurations of the various reserve funds in that state, while the dramatic decrease in Utah's account, which dropped from $40 million in fiscal 1988 to $7 million in fiscal 1989, is due to an income tax rebate of $80 million. This necessitated a transfer from the budget stabilization reserve to balance the fiscal 1989 budget.

IV. Regional Fiscal Outlook

Overview

In general, the country seems to be experiencing positive growth. While the Northeast and Far West continue to enjoy solid growth, other regions of the country that were negatively impacted by poor farm economies or the downturn in energy prices, with a few exceptions, are making significant progress toward improving their economic and budget positions. Table 8 provides five indicators used to assess economic and fiscal condition by region. Since the March survey, the weighted unemployment rate has declined from 6.2 percent to 5.4 percent while the weighted annual change in personal income has held steady at a 5.9 percent annual increase. As reported in previous sections, growth in state budgets and expenditures in fiscal 1989 registered at 6.8 percent, which is consistent with the growth recorded in fiscal 1987 and fiscal 1988. The most disturbing indicators of the fiscal health of states are the fiscal 1988 and fiscal 1989 ending balances, which are at historic lows. In fiscal 1988, the ending balance is at 2 percent of expenditures, but drops to 1.1 percent fiscal 1989.

Table 8
REGIONAL BUDGET AND ECONOMIC INDICATORS

	*Weighted Unemployment Rate**	*Weighted Annual % Change in Personal Income***	*Annual % Change in Population****	*FY 88 Ending Balances as % of Expenditures*	*FY 89 Proposed General Fund Budget Growth (%)*	*# of States in Region*
New England	3.2%	8.2%	0.8%	1.7%	9.4%	6
Mideast	4.2	6.9	0.5	2.3	7.0	5
Great Lakes	6.1	5.9	0.4	2.5	3.9	5
Plains	4.2	4.9	0.4	6.1	6.8	7
Southeast	5.8	7.2	1.4	1.3	9.0	12
Southwest	7.5	4.1	0.8	(2.2)	4.6	4
Rocky Mountain	5.7	3.6	0.2	5.1	5.1	5
Far West	5.5	6.7	2.2	1.9	6.5	6
Average	5.4	5.9	1.0	2.0	6.8	50

SOURCES: * U.S. Department of Labor, Bureau of Labor Statistics, June 1988.
** U.S. Department of Commerce, Bureau of Economic Analysis, August 16, 1988. First quarter 1987 to first quarter 1988.
*** FFIS Issue Brief 88-1, New State Population Estimates.

This general, but cautious, optimism in the states is demonstrated in improved state employee compensation packages for fiscal 1989 as well as in the growth in the number of state employees during fiscal 1988. Tables 9 and 10 indicate compensation packages and size of state workforces by region.

New England. New England continues to enjoy the lowest unemployment rate and the highest personal income growth in the country (led by New Hampshire with a 10.3 percent increase). These positive economic signs are manifested in the highest percentage increase in state expenditures for fiscal 1989 in the United States (with four of the six states posting increases in state spending in excess of 10 percent). Despite Vermont's strong ending fund balance of 15.1 percent of expenditures, however, this region shows an average ending fund balance of only 1.7 percent. The number of public employees in the New England region increased by 3.8 percent during fiscal 1988. Most states in the region that responded to this question in the survey have across-the-board salary increases in excess of 4 percent.

Mideast. The mideastern states are nearly as prosperous as New England with unemployment rates lower than the national average and an increase in personal income 1 percent higher than the national average. Although growth in general fund expenditures is not as high as New England's, it is slightly higher than the aggregate figure for all states. Fiscal 1988 ending balances are also higher in the region, with Delaware posting a 15.8 percent ending balance. Every state in the region reported across-the-board salary increases and a growing number of state employees that, with the exception of Pennsylvania, exceeded the national average.

Great Lakes. The Great Lakes region, although reporting an increase in personal income equal to the national average, still must deal with an unemployment rate that is higher than the national average. At 3.9 percent, fiscal 1989 expenditures show the lowest growth rate in the country while ending balances as percent of expenditures are higher than the national average. Despite the cautious budgetary outlook evident in this region, across-the-board salary increases, ranging from 2 percent in Indiana and Wisconsin to 6 percent in Ohio, were approved by all states in the region.

Plains. The Plains states have made a dramatic recovery from the economic and budget doldrums of a few years ago. The unemployment rate dropped dramatically from 5.5 percent to 4.2 percent since the last survey. However, the annual growth in personal income also has declined since the March survey – from 5.5 percent to 4.9 percent, a point below the national average. Budget growth in the region is slightly above the national average for fiscal 1989 with all states in the region except Minnesota and North Dakota reporting expenditure growth in excess of 5 percent. At the same time, the ending balance figure as a percent of expenditures is the highest in the country, led by Nebraska at just under 20 percent and Kansas at 16 percent. Although state workforce growth was relatively minor (with Missouri and North Dakota showing actual declines in the number of employees), across-the-board salary increases were approved in all states in the region.

Southeast. The Southeast has enjoyed a drop in the unemployment rate and an increase in personal income since the March survey. However, the fiscally troubled states of Kentucky, Louisiana, and West Virginia still make analysis of the region's economic status difficult. Ending balances as a percent of expenditures have increased since the March survey, but are still being held down by Louisiana's fiscal 1988 deficit of $700 million. Although budget growth in this region for fiscal 1989 is at 9 percent, the number of states showing expenditure growth below 5 percent, below 10 percent, and above 10 percent is evenly split among the 12 states in the region.

State employee salary increases in the region were generally low or nonexistent with Arkansas, Louisiana, Mississippi, and West Virginia reporting no across-the-board salary increases for state employees, while Kentucky reported a 2 percent increase. Despite actual decreases in the number of state employees in Louisiana, Tennessee, and West Virginia, the 6.4 percent increase in the number of Florida state employees brought the region's workforce growth to a number that approximated the national average.

Southwest. In the Southwest, regional factors are heavily influenced by Texas, which dominates any regional analysis because of its size. Because of the hard times brought on by the drop in oil prices, it is not difficult to understand why the Southwest region has the highest unemployment rate, the second lowest percentage increase in personal income, and the only negative ending balance figure in the nation. Budget growth in the region is nominal (ranging from a low of 2.17 percent in New Mexico to a high of 10.6 percent in Oklahoma). Despite the precarious budget situation in the region, across-the-board salary increases were provided by all four states.

Rocky Mountain. The Rocky Mountain region continues to struggle to improve its economic and fiscal health. Personal income growth in this region is the lowest in the nation, while the unemployment rate is slightly above the national average. Three of the five states in the region did not approve across-the-board salary increases for state employees for fiscal 1989. While the growth in the number of state employees is stable, Montana actually decreased its state workforce. The growth in state expenditures and the ending balances as a percent of fiscal 1988 expenditures are identical at 5.1 percent indicating an extremely cautious budgeting approach in this energy-dependent region.

Far West. Growth in the Far West continues strong, with personal income increasing at an average of 6.7 percent annually (led by Nevada at 8.9 percent and Oregon at 7.2 percent) and an unemployment rate that is very close to the national average. Despite Alaska's hard times, the region is still posting a 6.5 percent increase in fiscal 1989 expenditures. The regional ending balance figure is 1.9 percent of fiscal 1988 expenditures. If California were not included in the region, the ending balances for the remaining states – Alaska, Hawaii, Nevada, Oregon, and Washington – would have equaled 7.1 percent of fiscal 1988 expenditures (in excess of the 6 percent national high posted in the Plains region). Across-the-board salary increases for state employees were posted in all states except Alaska, although the pay increase in California does not become effective until June 1989. The number of state employees also increased during fiscal 1988 at a rate that approximates the national increase.

APPENDIX

Table A-1
FISCAL 1987 STATE GENERAL FUND
($ in millions)
Actual Figures

State	*Beginning Balance*	*Revenue*	*Resources*	*Expenditures*	*One Time Expenditures*	*Total Ongoing Expenditures*	*Transfers*	*Ending Balance*	*Budget Stab. Fund*
States with Annual Budgets									
Alabama	9	2,691	2,699	2,630		2,630		70	
Alaska	(196)	1,838	1,642	2,395		2,395	773	20	
Arizona	40	2,422	2,462	2,406	22	2,384		56	
California	714	32,519	33,233	31,469		31,469	(1,096)	77	591
Colorado	4	2,098	2,103	1,996	69	1,989	(62)	45	
Connecticut	0	4,742	4,742	4,377		4,377	(365)	0	320
Delaware	139	962	1,101	931	10	921		170	
Georgia	97	5,421	5,518	5,354	442	4,912		164	151
Idaho	1	632	633	618	11	607	(15)	0	
Illinois	288	10,332	10,620	10,340		10,340	(126)	154	
Iowa	8	2,505	2,512	2,445		2,445		0	68
Kansas	20	1,780	1,800	1,727		1,727		73	
Louisiana	(244)	3,413	3,169	3,804		3,804	188	(446)	
Maryland	53	4,642	4,695	4,487	33	4,454	(50)	158	50
Massachusetts	333	6,964	7,297	6,896		6,896	(290)	41	70
Michigan	153	6,322	6,475	6,464		6,464		11	352
Mississippi	52	1,526	1,578	1,490	10	1,480	28	116	6
Missouri	110	3,205	3,315	3,273	84	3,189	8	50	
New Jersey	521	9,339	9.860	9,138		9,138		722	
New Mexico	43	1,453	1,496	1,458	19	1,439	8	46	63
New York	153	24,688	24,841	23,453		23,453	(1,219)	169	
Oklahoma	0	2,070	2,070	2,059		2,059	(11)	0	
Pennsylvania	213	9,866	10,079	9,681		9,681	(50)	348	51
Rhode Island	52	1,187	1,239	1,123		1,123	(10)	106	18
South Carolina	67	2,669	2,736	2,670	10	2,660	24	90	75
South Dakota	31	370	402	364	10	354	(2)	36	
Tennessee	69	2,910	2,979	2,952	48	2,904	(5)	22	75
Utah	2	1,302	1,304	1,279		1,279	4	29	20
West Virginia	113	1,532	1,644	1,611		1,611		33	
States with Biennial Budgets									
Arkansas	0	1,461	1,461	1,461		1,461		0	
Florida	180	7,581	7,761	7,725	270	7,454		36	103
Hawaii	137	1,894	2,031	1,692		1,692		339	
Indiana	39	3,525	3,564	3,274		3,274	(189)	101	165
Kentucky	209	2,888	3,097	2,914		2,914	(18)	145	21
Maine	10	1,118	1,128	1,045		1,045	(23)	60	25
Minnesota	370	5,428	5,799	5,167		5,167	(154)	227	250
Montana	16	347	363	391		391	39	11	
Nebraska	18	886	904	849		849		55	24
Nevada	85	557	642	575	35	540		27	40
New Hampshire	32	538	570	513		513	(34)	23	27
North Carolina	319	5,392	5,711	5,349	298	5,051		362	
North Dakota	109	459	568	544		544		24	
Ohio	458	10,471	10,929	10,540		10,540	(163)	226	263
Oregon	103	1,837	1,940	1,706		1,706		234	
Texas	(241)	11,948	11,707	9,901		9,901	(2,790)	(984)	
Vermont	3	482	485	431		431	6	61	
Virginia	360	4,747	5,107	4,656		4,656	(313)	138	10
Washington	102	4,942	5,045	4,878		4,878	(165)	2	
Wisconsin	237	5,121	5,358	5,070		5,070	(55)	233	
Wyoming	106	335	441	395		395		46	117
Total	5,496	223,357	228,854	217,965	1,370	216,656	(6,127)	3,722	2,954

NOTES TO TABLE A-1
FISCAL 1987 STATE GENERAL FUND

Notes included in this table should be referenced during review of fiscal 1987 data. Some state data may not add due to rounding.

Alaska	Fiscal 1987 figures are estimated.
Arkansas	The reported amounts represent the net amount available for distribution to state agencies.
California	Transfers to and from the general fund are included in the revenue and expenditure totals. The $1.1 billion of excess tax proceeds, which were deposited into the Appropriations Limit Impound Account, was returned to the taxpayers pursuant to Article XIIIB of the California Constitution. Funds in the budget stabilization fund and ending balances comprise the beginning balance in the following fiscal year.
Georgia	Beginning balance is determined from midyear reserve and unreserved surplus. Beginning balance must be appropriated.
Idaho	Transfers include a one-time transfer to the permanent building account.
Iowa	Funds in the budget stabilization fund comprise the beginning balance in the following year.
Kentucky	Transfers include continued appropriation reserve adjustment. Funds in the budget stabilization fund and the ending balance comprise the beginning balance in the following fiscal year.
Massachusetts	Reported amounts incorporate only those in the general fund reporting entity, not comprehensive state expenditures for general purposes.
Minnesota	Funds in the budget stabilization fund and ending balances comprise the beginning balance in the following fiscal year.
New York	The budget stabilization fund is included with the ending balance.
North Dakota	Fiscal 1987 reported amounts reflect a general fund balance on a cash basis.
Oregon	Oregon prepares its budget on a biennial basis. For purposes of this report, fiscal year expenditures were divided 49 percent in the first year of the biennium and 51 percent in the second year. Because of Oregon's biennial budgeting system, using fiscal year figures may produce erroneous conclusions.
Pennsylvania	In addition, Pennsylvania has $40 million in a sunny day fund.
South Dakota	Transfers include a $2 million adjustment due to a change from cash basis accounting to accrual.

Table A-2
FISCAL 1988 STATE GENERAL FUND
($ in millions)
Estimated Figures

State	*Beginning Balance*	*Revenue*	*Resources*	*Expenditures*	*One Time Expenditures*	*Total Ongoing Expenditures*	*Transfers*	*Ending Balance*	*Budget Stab. Fund*
States with Annual Budgets									
Alabama	70	2,844	2,913	2,766		2,766		148	
Alaska	20	2,272	2,292	2,255		2,255	126	162	
Arizona	56	2,563	2,619	2,613	35	2,578		6	
California	668	32,609	33,277	33,239		33,239		29	9
Colorado	45	2,176	2,221	2,133		2,133		88	
Connecticut	0	4,904	4,904	4,981	11	4,970	78	0	242
Delaware	170	1,034	1,204	1,039	22	1,018		165	
Georgia	164	5,903	6,067	5,958	544	5,414		109	163
Idaho	0	675	675	658		658		17	
Illinois	154	10,680	10,834	10,625	104	10,521	37	246	
Iowa	68	2,651	2,719	2,657		2,657		0	62
Kansas	73	2,115	2,188	1,887		1,887		301	
Louisiana	(446)	3,564	3,118	3,881		3,881	49	(714)	
Maryland	158	4,940	5,098	4,897	49	4,848	(5)	197	55
Massachusetts	41	7,086	7,127	7,229	918	6,311	128	25	74
Michigan	11	6,579	6,590	6,579		6,579		12	379
Mississippi	116	1,657	1,773	1,682	7	1,675	(3)	89	20
Missouri	50	3,504	3,554	3,487	23	3,464	12	80	
New Jersey	722	10,161	10,883	10,372		10,372	179	690	171
New Mexico	46	1,577	1,623	1,546	39	1,507	(77)	0	113
New York	169	26,714	26,883	25,087		25,087	(1,743)	53	
Oklahoma	0	2,397	2,397	2,203		2,203	(78)	116	78
Pennsylvania	348	10,264	10,612	10,472		10,472	(45)	95	80
Rhode Island	106	1,259	1,365	1,252		1,252	(15)	99	27
South Carolina	90	2,898	2,988	2,861	41	2,820	11	138	86
South Dakota	36	398	434	392	6	386		42	
Tennessee	22	3,164	3,186	3,080	19	3,061	(26)	80	75
Utah	29	1,460	1,489	1,380		1,380	(20)	89	40
West Virginia	33	1,416	1,449	1,414		1,414		35	
States with Biennial Budgets									
Arkansas	0	1,546	1,546	1,546		1,546		0	
Florida	36	8,735	8,771	8,629	89	8,540	(36)	106	136
Hawaii	339	2,088	2,427	1,957		1,957		471	
Indiana	101	3,957	4,058	3,557		3,557	(258)	243	221
Kentucky	166	3,070	3,236	3,208		3,208	4	32	
Maine	60	1,194	1,254	1,185		1,185	(11)	58	25
Minnesota	477	5,807	6,284	5,560		5,560	(180)	279	265
Montana	11	387	398	372		372	13	39	
Nebraska	55	1,014	1,068	891		891		178	18
Nevada	27	610	637	586	1	585		51	40
New Hampshire	23	539	562	552		552		10	27
North Carolina	362	5,806	6,168	5,774	173	5,601		394	
North Dakota	24	536	560	506		506	(3)	51	
Ohio	226	10,894	11,120	10,801	0	10,801	(22)	297	284
Oregon	234	1,675	1,909	1,830		1,830		79	
Texas	(984)	12,706	11,722	9,263		9,263	(2,930)	(471)	
Vermont	61	519	580	488	2	486	(18)	74	8
Virginia	138	5,012	5,150	4,963		4,963		187	5
Washington	2	5,108	5,109	5,046		5,046		64	
Wisconsin	233	5,208	5,441	5,300		5,300		141	
Wyoming	46	305	351	352		352	17	16	58
Total	4,652	236,178	240,830	230,986	2,081	228,907	(4,817)	4,693	2,761

NOTES TO TABLE A-2
FISCAL 1988 STATE GENERAL FUND

Notes included in this table should be referenced during review of fiscal 1988 data. Some state data may not add due to rounding.

Arkansas	The reported amounts represent the net available for distribution to state agencies.
California	Due to the uncertainties in federal tax conformity legislation, the fiscal 1988 personal income tax receipts were $1.1 billion below projections stated in the Governor's January 10, 1988 proposed budget. Funds in the budget stabilization fund and ending balance comprise the beginning balance in the following fiscal year.
Georgia	Beginning balance is determined from midyear reserve and unreserved surplus. Beginning balance must be appropriated.
Illinois	Fiscal 1988 figures are actual.
Iowa	Funds in the budget stabilization fund comprise the beginning balance in the following fiscal year.
Kentucky	Transfers include continued appropriation reserve adjustment. Funds in the budget stabilization fund and ending balance comprise the beginning balance in the following fiscal year.
Massachusetts	Reported amounts incorporate only those in the general fund reporting entity, not comprehensive state expenditures for general purposes.
Minnesota	Funds in the budget stabilization fund and the ending balance comprise the beginning balance in the following fiscal year.
New York	Transfers include $161 million in incoming transfers and $1.9 billion in outgoing transfers, which includes a $646 million one-time transfer from the general fund to the New York State Infrastructure Trust Fund. The budget stabilization fund is included with the ending balance.
North Dakota	Fiscal 1988 reported amounts reflect a modified accrual estimated general fund ending balance.
Oregon	Oregon prepares its budget on a biennial basis. For purposes of this report, fiscal year expenditures are divided 49 percent in the first year and 51 percent in the second year. Because of Oregon's biennial budgeting system, using fiscal year figures may produce erroneous conclusions.
Pennsylvania	Pennsylvania also has $20 million in a sunny day fund.

Table A-3
FISCAL 1989 STATE GENERAL FUND
($ in millions)
Appropriated Figures

State	*Beginning Balance*	*Revenue*	*Resources*	*Expenditures*	*One Time Expenditures*	*Total Ongoing Expenditures*	*Transfers*	*Ending Balance*	*Budget Stab. Fund*
States with Annual Budgets									
Alabama	148	2,976	3,123	3,123		3,123		0	
Alaska	162	1,971	2,133	2,240		2,240	28	(78)	
Arizona	6	2,857	2,863	2,845	19	2,825		19	
California	38	36,101	36,138	35,534		35,534		0	604
Colorado	88	2,246	2,334	2,276		2,256	(20)	38	
Connecticut	0	5,474	5,474	5,548		5,548	74	0	168
Delaware	165	1,021	1,186	1,044	13	1,031		142	
Georgia	109	6,254	6,363	6,363	469	5,785		0	177
Idaho	17	698	715	698	8	690		17	
Illinois	246	11,102	11,348	11,012		11,012	(90)	246	
Iowa	62	2,796	2,858	2,857		2,857			1
Kansas	301	2,031	2,332	2,117	23	2,094		215	
Louisiana	(714)	4,038	3,324	4,034		4,034	850	140	
Maryland	197	5,231	5,428	5,412	156	5,256	(10)	6	65
Massachusetts	25	7,644	7,669	7,727	100	7,627	63	5	78
Michigan	12	6,709	6,721	6,707		6,707		14	379
Mississippi	89	1,733	1,822	1,806	7	1,799	8	24	20
Missouri	80	3,751	3,831	3,790	35	3,756	7	48	
New Jersey	690	11,089	11,779	11,450		11,450	(117)	213	288
New Mexico	0	1,593	1,593	1,579	3	1,577	(14)	0	94
New York	53	27,439	27,492	26,906		26,906	(650)	(64)	
Oklahoma	116	2,500	2,616	2,437		2,437	(20)	159	78
Pennsylvania	95	10,736	10,831	10,708		10,708	(30)	91	100
Rhode Island	99	1,325	1,424	1,395		1,395	(18)	11	38
South Carolina	138	3,099	3,237	3,145	106	3,040	(5)	86	81
South Dakota	42	393	434	416	7	409		18	
Tennessee	80	3,395	3,475	3,353	69	3,284	(90)	32	100
Utah	89	1,407	1,496	1,449	43	1,406	(47)	0	7
West Virginia	35	1,465	1,500	1,450		1,450	(50)	0	
States with Biennial Budgets									
Arkansas	0	1,612	1,612	1,612		1,612		0	
Florida	106	9,403	9,509	9,509	99	9,411		0	154
Hawaii	471	2,234	2,705	2,275		2,275		430	
Indiana	243	4,183	4,427	3,913		3,913	(330)	184	231
Kentucky	32	3,299	3,330	3,308		3,308		20	2
Maine	58	1,281	1,339	1,339		1,339		0	25
Minnesota	544	5,608	6,152	5,710		5,710	(176)	0	265
Montana	39	379	418	382		382		36	
Nebraska	178	988	1,166	1,009	33	975	(33)	125	50
Nevada	51	639	690	646		645		45	40
New Hampshire	10	579	589	582		582	(2)	5	29
North Carolina	394	6,220	6,614	6,586	284	6,302		28	
North Dakota	51	481	532	529		529		3	
Ohio	297	11,052	11,349	11,089		11,089	(121)	139	392
Oregon	79	1,883	1,962	1,904		1,904		58	
Texas	(471)	13,048	12,577	9,484		9,484	(3,041)	52	
Vermont	74	540	614	570	46	525	(30)	14	13
Virginia	187	5,396	5,583	5,583		5,583		0	
Washington	64	5,300	5,364	5,240		5,240	(124)	0	
Wisconsin	141	5,487	5,628	5,568		5,568		60	
Wyoming	16	312	328	344		344	35	19	68
Total	5,028	248,998	254,025	246,602	1,517	244,956	(3,952)	2,597	3,547

NOTES TO TABLE A-3
FISCAL 1989 STATE GENERAL FUND

Notes included in this table should be referenced during review of fiscal 1989 data. Some state data may not add due to rounding.

Alabama	Budgets for fiscal 1989 did not pass during regular session; therefore the expenditure figures are estimates. The actual budget will be set during special session later this year.
Arkansas	The reported amounts represent the net available for distribution to state agencies.
California	Funds in the budget stabilization fund and ending balance comprise the beginning balance in the following fiscal year.
Georgia	Beginning balance is determined from midyear reserve and unreserved surplus. Beginning balance must be appropriated. The fiscal 1989 figure is not the appropriated beginning balance but it is available for expenditure. The ending balance is calculated after the surplus is derived.
Iowa	Funds in the budget stabilization fund comprise the beginning balance in the following fiscal year.
Kentucky	Transfers include continued appropriation reserve adjustment. Funds in the budget stabilization fund and ending balance comprise the beginning balance in the following fiscal year.
Massachusetts	Reported amounts incorporate only those in the general fund reporting entity, not comprehensive state expenditures for general purposes.
Minnesota	Funds in the budget stabilization fund and the ending balance comprise the beginning balance in the following fiscal year.
New York	Fiscal 1989 figures are estimated as of July 30, 1988. Transfers include $630 million in a temporary transfer from the infrastructure trust fund, $674 million in incoming transfers and $1.3 billion in outgoing transfers. In addition, the Governor has requested additional legislative action on certain revenue measures to close a portion of this deficit. Additional management actions to reduce spending to close the remaining deficit are anticipated to be undertaken. The budget stabilization fund is included with the ending balance.
Oregon	Oregon prepares its budget on a biennial basis. For purposes of this report, fiscal year expenditures are divided 49 percent in the first year and 51 percent in the second year. Because of Oregon's biennial budgeting system, using fiscal year figures may produce erroneous conclusions.
Pennsylvania	Pennsylvania also has $30 million in a sunny day fund.

Table A-4
ENDING BALANCES AS A PERCENT OF EXPENDITURES, FISCAL 1987 TO 1989

	General Fund Ending Balances			*As a Percent of Expenditures*		
State	*Fiscal 1987*	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1987*	*Fiscal 1988*	*Fiscal 1989*
States with Annual Budgets						
Alabama	70	148	0	2.64%	5.34%	0.00%
Alaska	20	162	(78)	0.82	7.20	-3.47
Arizona	56	6	19	2.31	0.23	0.65
California	77	29	0	0.24	0.09	0.00
Colorado	45	88	38	2.26	4.13	1.66
Connecticut	0	0	0	0.00	0.00	0.00
Delaware	170	165	142	18.26	15.83	13.57
Georgia	164	109	0	3.06	1.83	0.00
Idaho	0	17	17	0.00	2.58	2.44
Illinois	154	246	246	1.49	2.32	2.23
Iowa	0	0	0	0.00	0.00	0.00
Kansas	73	301	215	4.23	15.95	10.16
Louisiana	(446)	(714)	140	-11.72	-18.40	3.47
Maryland	158	197	6	3.52	4.01	0.11
Massachusetts	41	25	5	0.59	0.35	0.06
Michigan	11	12	14	0.17	0.17	0.21
Mississippi	116	89	24	7.76	5.27	1.32
Missouri	50	80	48	1.53	2.29	1.26
New Jersey	722	690	213	7.90	6.65	1.86
New Mexico	46	0	0	3.13	0.00	0.00
New York	169	53	(64)	0.72	0.21	-0.24
Oklahoma	0	116	159	0.00	5.27	6.52
Pennsylvania	348	95	91	3.59	0.91	0.85
Rhode Island	106	99	11	9.42	7.91	0.77
South Carolina	90	138	86	3.36	4.82	2.75
South Dakota	36	42	18	9.87	10.72	4.32
Tennessee	22	80	32	0.75	2.60	0.95
Utah	29	89	0	2.27	6.45	0.00
West Virginia	33	35	0	2.05	2.47	0.01
States with Biennial Budgets						
Arkansas	0	0	0	0.00	0.00	0.00
Florida	36	106	0	0.47	1.23	0.00
Hawaii	339	471	430	20.04	24.07	18.90
Indiana	101	243	184	3.09	6.84	4.70
Kentucky	145	32	20	4.96	0.99	0.60
Maine	60	58	0	5.74	4.89	0.00
Minnesota	227	279	0	4.39	5.02	0.00
Montana	11	39	36	2.81	10.48	9.42
Nebraska	55	178	125	6.44	19.94	12.38
Nevada	27	51	45	4.66	8.71	6.89
New Hampshire	23	10	5	4.48	1.81	0.86
North Carolina	362	394	28	6.77	6.83	0.43
North Dakota	24	51	3	4.41	10.08	0.57
Ohio	226	297	139	2.14	2.75	1.25
Oregon	234	79	58	13.72	4.32	3.05
Texas	(984)	(471)	52	-9.94	-5.08	0.55
Vermont	61	74	14	14.12	15.10	2.40
Virginia	138	187	0	2.96	3.78	0.00
Washington	2	64	0	0.03	1.26	0.00
Wisconsin	233	141	60	4.60	2.66	1.08
Wyoming	46	16	19	11.65	4.55	5.52
Total	3,722	4,693	2,597	Average 1.71%	2.03%	1.05%

Table A-5
BUDGET STABILIZATION FUNDS, FISCAL 1987 TO 1989

	Stabilization Fund Balances			*As a Percent of Expenditures*		
State	*Fiscal 1987*	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1987*	*Fiscal 1988*	*Fiscal 1989*
States with Annual Budgets						
Alabama	0	0	0	0.00%	0.00%	0.00%
Alaska	0	0	0	0.00	0.00	0.00
Arizona	0	0	0	0.00	0.00	0.00
California	591	9	604	1.88	0.03	1.70
Colorado	0	0	0	0.00	0.00	0.00
Connecticut	320	242	168	7.30	4.86	3.04
Delaware	0	0	0	0.00	0.00	0.00
Georgia	151	163	177	2.82	2.74	2.78
Idaho	0	0	0	0.00	0.00	0.00
Illinois	0	0	0	0.00	0.00	0.00
Iowa	68	62	1	2.78	2.32	0.02
Kansas	0	0	0	0.00	0.00	0.00
Louisiana	0	0	0	0.00	0.00	0.00
Maryland	50	55	65	1.11	1.12	1.20
Massachusetts	70	74	78	1.02	1.02	1.01
Michigan	352	379	379	5.45	5.77	5.66
Mississippi	6	20	20	0.37	1.21	1.12
Missouri	0	0	0	0.00	0.00	0.00
New Jersey	0	171	288	0.00	1.65	2.52
New Mexico	63	113	94	4.35	7.28	5.95
New York	0	0	0	0.00	0.00	0.00
Oklahoma	0	78	78	0.00	3.54	3.20
Pennsylvania	51	89	100	0.53	0.76	0.93
Rhode Island	18	27	38	1.63	2.18	2.69
South Carolina	75	86	81	2.82	3.01	2.57
South Dakota	0	0	0	0.00	0.00	0.00
Tennessee	75	75	100	2.54	2.44	2.98
Utah	20	40	7	1.56	2.90	0.48
West Virginia	0	0	0	0.00	0.00	0.00
States with Biennial Budgets						
Arkansas	0	0	0	0.00	0.00	0.00
Florida	103	136	154	1.33	1.58	1.62
Hawaii	0	0	0	0.00	0.00	0.00
Indiana	165	221	231	5.02	6.20	5.89
Kentucky	21	0	2	0.71	0.00	0.06
Maine	25	25	25	2.39	2.11	1.87
Minnesota	250	265	265	4.84	4.77	4.64
Montana	0	0	0	0.00	0.00	0.00
Nebraska	24	18	50	2.79	1.99	4.99
Nevada	40	40	40	6.96	6.83	6.19
New Hampshire	27	27	29	5.26	4.89	4.98
North Carolina	0	0	0	0.00	0.00	0.00
North Dakota	0	0	0	0.00	0.00	0.00
Ohio	263	284	392	2.50	2.63	3.53
Oregon	0	0	0	0.00	0.00	0.00
Texas	0	0	0	0.00	0.00	0.00
Vermont	0	8	13	0.00	1.68	2.28
Virginia	10	5	0	0.20	0.10	0.00
Washington	0	0	0	0.00	0.00	0.00
Wisconsin	0	0	0	0.00	0.00	0.00
Wyoming	117	58	68	29.62	16.48	19.77
Total	2,954	2,761	3,547	Average 1.36%	1.20%	1.44%

Table A-6
NOMINAL PERCENTAGE EXPENDITURE CHANGE

State	*Total Expenditures* Fiscal 1987	*Total Expenditures* Fiscal 1988	*Total Expenditures* Fiscal 1989
States with Annual Budgets			
Alabama	-5.06%	5.16%	12.93%
Alaska	-14.13	-5.83	-0.70
Arizona	3.32	8.58	8.88
California	9.11	5.62	6.91
Colorado	0.08	6.88	6.71
Connecticut	9.09	13.81	11.37
Delaware	0.20	11.66	0.44
Georgia	6.47	11.28	6.80
Idaho	6.37	6.47	6.08
Illinois	3.26	2.76	3.64
Iowa	14.02	8.71	7.51
Kansas	-0.92	9.26	12.19
Louisiana	-11.80	2.02	3.94
Maryland	7.86	9.13	10.53
Massachusetts	11.53	4.83	6.89
Michigan	8.27	1.77	1.95
Mississippi	-1.77	12.85	7.39
Missouri	7.07	- 6.53	8.70
New Jersey	4.67	13.50	10.39
New Mexico	3.13	5.98	2.17
New York	7.82	6.97	7.25
Oklahoma	0.93	6.99	10.62
Pennsylvania	4.19	8.17	2.25
Rhode Island	7.18	11.43	11.47
South Carolina	3.00	7.16	9.95
South Dakota	5.12	7.75	6.23
Tennessee	13.63	4.34	8.86
Utah	0.16	7.90	5.00
West Virginia	0.90	-12.23	2.50
States with Biennial Budgets			
Arkansas	2.23	5.81	4.27
Florida	12.90	11.71	10.20
Hawaii	5.62	15.66	16.25
Indiana	4.84	8.64	10.00
Kentucky	9.76	10.07	3.14
Maine	9.88	13.40	13.00
Minnesota	6.43	7.61	2.70
Montana	6.54	-4.86	2.69
Nebraska	2.28	4.92	13.23
Nevada	21.27	1.90	10.26
New Hampshire	9.38	7.60	5.43
North Carolina	7.58	7.94	14.04
North Dakota	3.62	-6.99	4.55
Ohio	10.17	2.48	2.67
Oregon	4.02	7.27	4.04
Texas	6.30	-6.44	2.39
Vermont	10.72	13.30	16.86
Virginia	-11.81	6.59	12.51
Washington	7.92	3.44	3.84
Wisconsin	4.07	4.52	5.07
Wyoming	-6.84	-10.86	-2.27
Average	6.30%	5.97%	6.76%

Table A-7
FISCAL 1988 TAX COLLECTIONS COMPARED TO PROJECTIONS USED WHEN BUDGET ADOPTED
($ in millions)

	Personal Income Tax		*Sales Tax*	
State and Region	*Estimate When Budget Adopted*	*Current Estimate*	*Estimate When Budget Adopted*	*Current Estimate*
New England				
Connecticut	$358*	$388*	$2,075	$2,030
Maine	399	424	444	460
Massachusetts	4,145	3,985	2,042	2,021
New Hampshire	N/A	N/A	N/A	N/A
Rhode Island	339	382	366	386
Vermont	177	202	117	124
Mideast				
Delaware	447	432	N/A	N/A
Maryland	2,382	2,520	1,373	1,409
New Jersey	2,580	2,560	3,080	3,080
New York	13,301*	13,921* (A)	5,255	5,281
Pennsylvania	2,878	2,880	3,837	3,847
Great Lakes				
Illinois	3,379	3,458 (A)	3,401	3,509 (A)
Indiana	1,745	1,765 (A)	1,907	1,920
Michigan	3,093	3,173	2,542	2,431
Ohio	3,205	3,363 (A)	3,145	3,210 (A)
Wisconsin	2,309	2,325	1,735	1,720
Plains				
Iowa	1,170	1,235	639	667
Kansas	773	826	655	683
Minnesota	2,190	2,441	1,567	1,639
Missouri	1,625	1,671	1,119	1,108
Nebraska	380	430	370	380
North Dakota	109	114	238	236
South Dakota	N/A	N/A	196	206
Southeast				
Alabama	960*	1,029*	730	745
Arkansas	593	597 (A)	667	667 (A)
Florida	N/A	N/A	6,702	6,839*
Georgia	2,388	2,392	1,810	1,896
Kentucky	1,010	1,007	1,010	952
Louisiana	531	550	1,090	1,139
Mississippi	310	330	687	705
North Carolina	2,594	2,686	1,531	1,556
South Carolina	1,066	1,082	1,003	1,002
Tennessee	63	80	2,105	2,135
Virginia	2,608	2,671	1,207	1,201
West Virginia	421	394 (A)	315	331 (A)
Southwest				
Arizona	860	874	1,288	1,253
New Mexico	266	300	557	566
Oklahoma	859	891 (A)	685	720 (A)
Texas	N/A	N/A	5,484	6,176
Rocky Mountain				
Colorado	1,172	1,182	675	663
Idaho	286	287	254	259
Montana	225	241	N/A	N/A
Utah	533	614	618	610
Wyoming	N/A	N/A	111	90
Far West				
California	13,710	13,000	11,546	11,660
Nevada	N/A	N/A	205	216
Oregon	1,267	1,328	N/A	N/A
Washington	N/A	N/A	2,352	2,435
Alaska	N/A	N/A	N/A	N/A
Hawaii	525	568	830	919

(A) = Actual

NOTES TO TABLE A-7
FISCAL 1988 TAX COLLECTIONS COMPARED TO PROJECTIONS USED WHEN BUDGET ADOPTED

Alabama	Figures include corporate income taxes.
Connecticut	Includes only capital gains dividends and interest.
Florida	Florida had a variety of sales tax policy changes (service tax, additional penny on sales tax) which are included in these estimates.
New York	Due to a fiscal year ending March 31, New York is not directly comparable to other states. In order to provide comparability with other state information, New York also reported fiscal 1989 data that indicated the following:

Personal Income Tax		Sales Tax	
Estimate When Budget Approved	Current Estimate	Estimate When Budget Approved	Current Estimate
15,132	14,014	5,675	5,650

Table A-8
FISCAL 1989 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Eff. Date*	*FY 89 Revenue Change ($ in millions)*
PERSONAL INCOME TAX			
Arizona	Removed deduction for motor vehicle fuels and raised deduction to 63% of federal tax liability.	7/88	$35.4
Hawaii	Adjusted gross income tax brackets for excise tax credits and increased credits.	1/88	(5.0)
Idaho	Retained personal exemption at $1,900 instead of conforming to federal exemption.	1/88	2.0
Kansas	Collapsed 8 brackets ranging from 2% to 9% to four brackets of 4.8% and 6.1% for singles, and 4.05% and 5.3% for married; conformed to federal deductions and exemptions; eliminated deduction for federal income taxes.	1/88	(49.0)
Louisiana	Disallowed allowance for children 5-18 attending school.	1/88	15.0
Maine	Changed tax rate from 1%-10% to 2%-8% and exempted tax credit.	1/88	(30.0)
Massachusetts	Updated linkages to Internal Revenue Code.	1/88	75.0
Minnesota	Conformed to federal code; excluded pensions; subtracted individual retirement accounts.	1/88	(15.6)
Nebraska	Conformed to federal standard deduction level.	1/88	(12.2)
North Carolina	Increased exclusion on military and federal civil service retirement income from $3,000 to $4,000.	1/89	0.8
Oklahoma	Created low-income senior citizen exemption.		(4.0)
	Eliminated income tax liability for those below federal minimum standards.	1/88	(2.1)
Utah	Reduced top income tax rate from 7.75% to 7.35% and restored 1/3 deductibility of federal taxes.	1/88	(68.0)
Vermont	Reduced tax rate from 25% of federal tax liability to 23%.	1/88	(16.5)
SALES TAX			
Arizona	Increased rental of real property tax rate from 3.75% to 5.0%; raised the hotel/motel tax from 4.0% to 5.5%; taxed casual commercial rentals at 5.0%; capped accounting allowance at $500; repealed semiconductor exemption.	7/88	23.1
Hawaii	Reduced taxation on gross cost of transient accommodations to exclude travel agent commission when furnished through travel agent or the like.	6/88	(3.0)
Kansas	Enacted several exemptions.	7/88	(13.0)
Louisiana	Suspended 1% of all sales tax exemptions.	7/88	169.0
	Suspended 2% of all sales tax exemptions.	8/88	266.0
Massachusetts	Repealed sales tax exemption on cigarettes.	7/88	37.0
Minnesota	Taxed catalogue and telemarketing sales.	6/88	26.0
	Restored university/college exemptions and exempted aspirin.	7/88	(11.0)

Table A-8 (continued)
FISCAL 1989 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Eff. Date*	*FY 89 Revenue Change ($ in millions)*
Missouri	Taxed video cassette rentals at 4.225%.	1/89	6.7
	Exempted materials for not-for-profit construction.	8/88	(14.4)
North Carolina	Required out-of-state mail order companies to collect sales tax.	1/89	24.0
Washington	Extended excise tax deferral.	6/88	(4.1)
	Changed sales tax on food exemptions.	6/88	8.1
West Virginia	Increased consumer sales tax from 5% to 6%.	6/88	70.0
	Applied sales tax to certain portions of soft drinks.	6/88	9.0
BUSINESS TAXES			
Arizona	Increased capital gains rate from 6.4% to 10.5%; conformed controlled corporation dividends and depletion deduction to federal tax code; set minimum corporate tax rate at $50.	7/88	29.0
Kansas	Eliminated net operating loss carryback; allowed two-factor apportionment; imposed alternative minimum tax.	1/88-1/89	(1.0)
Massachusetts	Clarified unitory taxation rules; limit Sub-Chapter S to companies earning less than $6 million annual gross; increased corporate minimum tax from $228 to $456; excluded autos for investment credit; changed the treatment of certain dividends.	1/88	40.0
	Allowed a loss carry forward.	1/88	
Minnesota	Adopted some federal conformity items; changed definition of foreign source income; enacted compliance corporation laws.	various	27.8
New Hampshire	Decreased rate from 8.25% to 8.0%.	N/A	(10.0)
New York	Mutual fund managers allowed to allocate receipts from services based on location of fund customer.	1/88	(4.0)
North Carolina	Changed apportionment formulas for multi-state corporations.	1/89	(10.0)
	Increased declaration of estimated tax liability of large corporations from 80% to 90%.	6/88	20.0
Rhode Island	Eliminated net worth tax for corporations.	7/88	(4.5)
Wisconsin	Conformed to Internal Revenue Code for both personal and corporate income tax.	1/88	8.6
CIGARETTE TAX			
Iowa	Increased rate from 26 cents to 34 cents a pack.	3/88	20.3
Rhode Island	Increased tax 2 cents a pack.	7/88	2.4
MOTOR FUEL TAXES			
Idaho	Raised motor fuel tax from 14.5 cents to 18.0 cents a gallon.	4/88	19.0
Iowa	Increased motor fuel tax from 16 cents to 18 cents a gallon.	4/88	32.0
	Increased tax from 18 cents a gallon to 20 cents a gallon.	1/89	16.0

Table A-8 (continued)
FISCAL 1989 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Eff. Date*	*FY 89 Revenue Change ($ in millions)*
Kentucky	Decreased motor vehicle usage tax; repealed supplemental highway users tax; imposed heavy vehicle weight distance tax and surtax; increased overweight dimensional truck permit costs and registration fees.	4/88-7/88	(5.2)
Maine	Raised gasoline tax from 14 cents to 16 cents a gallon.	5/88	11.0
	Raised diesel fuel tax from 14 cents to 19 cents a gallon.	7/88	7.0
Maryland	Increased truck registration fee and decreased decal fee.	6/88	(4.3)
New Jersey	Raised tax from 8 cents to 10.5 cents a gallon.	7/88	100.0
South Dakota	Increased motor fuel tax from 13 cents to 18 cents a gallon.	5/88	20.0
MISCELLANEOUS TAXES			
Arizona	Increased insurance premium tax from 1.7% to 2.0%.	7/88	6.0
	Increased general fund share of auto license tax.	7/88	17.1
	Set state education property tax rate at 9 cents; applied property tax to unorganized districts; and froze assessments at fiscal 1987 levels.	7/88	42.6
Hawaii	Reduced taxation on gross cost of transient accommodations to exclude travel agent commission when furnished by travel agent or the like.	6/88	(3.0)
Louisiana	Doubled hazardous waste rate.	7/88	3.0
	Limited severance and royalty tax exemptions associated with new wells.	7/88	1.0
Maryland	Increased the property tax exclusion from $20,000 to $25,000.	7/88	(1.9)
Minnesota	Reduced pari-mutuel and other taxes.	1/88-4/88	(7.8)
Mississippi	Accelerated quarterly insurance premium tax collection.	7/88	18.9
Nebraska	Changed taxes on pickle card sales.	10/88	3.5
New York	Improved enforcement of diesel fuel tax collections.	9/88	15.0
	Provided harness track relief under pari-mutuel tax.	4/88	(11.0)
Oklahoma	Reduced interest penalty charge.	N/A	(1.5)
Tennessee	Increased motor vehicle registration fee from $19.50 per car to $20.50 per car.	7/88	3.8
Vermont	Increase property transfer tax from 0.5% to 1.25% on all sales over $100,000.	7/88	7.5

Table A-9
ADOPTED STATE EMPLOYEE COMPENSATION PACKAGE
FISCAL 1989

State and Region	*Across the Board (ATB)*	*Merit*	*Other*	*Notes*
New England				
Connecticut	4.0%		2.4%	"Other" are step rate increases annualized.
Maine	4.5			3% effective 7/1/88 and 3% effective 1/1/89.
Massachusetts				N/A
New Hampshire	6.0			3% on 6/88 and 3% on 12/88.
Rhode Island	5.5			
Vermont	4.5		1.5	Step increases available to everyone except those at the top of the grade or exempt employees.
Mideast				
Delaware	3.0			
Maryland	4.0	1.0		
New Jersey	5.0	2.0		Merit increases average between 3.5% and 5%; overall average is 2%.
New York	5.0			Delayed to limit impact to 4% for fiscal 1989. Existing provisions for merit and other pay differentials are continued.
Pennsylvania	6.0			5% effective 7/1/88 and 1% effective 1/1/89 for largest union. Others still to be determined.
Great Lakes				
Illinois	5.0	3.0	5.0	Step increases to members of collective bargaining units average 3.6% and 5% across-the-board.
Indiana	2.0	2.0		Varied merit program was used for 5,800 employees; ranges were 0%-8%.
Michigan	3.1-4.1			Range from 10 bargaining and non-represented groups.
Ohio	6.0			Various packages have been negotiated with two main packages of 4% and 7%.
Wisconsin	2.0			Union contracts vary.
Plains				
Iowa	4.0	1.5		Merit is average.
Kansas	4.0	1.6		
Minnesota	3.03	0.38		Only a certain portion of the work force receives step increases. The amount shown is the average.
Missouri	0.0		$360	All employees received a $360/full time equivalent annual increase.
Nebraska	4.0	1.0	2-3	"Other" for salary adjustment and merit.
North Dakota	2.0		$50	Across-the-board increase effective 1/89; however, if general fund revenues come in stronger, increase would be retroactive to 7/88.
South Dakota	2.75		$425	$425 or 2.75%--whichever is greater.

Table A-9 (continued)
ADOPTED STATE EMPLOYEE COMPENSATION PACKAGE
FISCAL 1989

State and Region	*Across the Board (ATB)*	*Merit*	*Other*	*Notes*
Southeast				
Alabama	5.0	2.5-5.0		Longevity pay beginning in 12/87 ranges from $300-$600 per employee. The across-the-board increase is proposed.
Arkansas	0.0	2.5		
Florida	3.0	1.5		Senior management and select exempt service would receive 4.5%; however, it is discretionary.
Georgia	2.5	4.0		The merit is the average step increase.
Kentucky	2.0			
Louisiana	0.0			Freeze on all pay increases. Top level management taking a salary reduction of 10%.
Mississippi	0.0		6.5	82% of all state employees receive an average of 6.5% realignment based on salary surveys.
North Carolina	4.5			Special adjustment for registered nurses and LPN's and for off-hours pay.
South Carolina	4.0		$365	One time bonus effective 12/1/88.
Tennessee	6.4			Lower paid employees will receive the highest increase. Varies from 11%-2%.
Virginia	3.5	2.46		Merit equals 4.56% on proficiency review date covering 60% of workforce.
West Virginia	0.0			Certified teaching personnel and higher education employees received some salary increase.
Southwest				
Arizona	3.5		1.1	Increase in retirement matched by employee-funded group insurance premium increase.
New Mexico			$750	Averages 2.5% across-the-board.
Oklahoma	5.0			Certain positions received additional increases.
Texas	2.0			
Rocky Mountain				
Colorado	0.0	5.0		Merit/anniversary increase provided to eligible employees. Non-classified higher education employees funded for 5%-8% increase.
Idaho			3.0	Pay line adjustment which resulted in 60% of all classified workers receiving a 5% increase.
Montana	0.0			
Utah	2.5			Implemented 3/88 because salaries were frozen for 2 years.
Wyoming			$550	A one time bonus of $550 per full time equivalent with prorated amounts for part-time employees.

Table A-9 (continued)
ADOPTED STATE EMPLOYEE COMPENSATION PACKAGE
FISCAL 1989

State and Region	*Across the Board (ATB)*	*Merit*	*Other*	*Notes*
Far West				
Alaska		3.2		All employees with acceptable or better performance receive a merit increase. The average is as shown.
California	6.0			6.0% effective 6/1/89, funded health, dental, and other benefits.
Hawaii	6.0			Effective 10/88.
Nevada	3.0	5.0		Merit increases for each year until employee reaches the top of the grade.
Oregon	3.0	3.0	1.0	Other is pay equity averaged statewide.
Washington	3.0	2.5		Half of classified employees are eligible for 5% merit. 3% effective 1/1/89.

Table A-10
ANNUAL CHANGE IN THE SIZE OF THE STATE WORKFORCE

State and Region	*Number of Employees as of 6/30/87*	*Estimated Number of Employees as of 6/30/88*	*Percentage Change from Fiscal 1987 to 1988*
United States	2,020,723	2,057,958	1.8
New England	80,723	83,767	3.8
Connecticut	35,700	37,517	5.1
Maine	14,400	14,782	2.7
Massachusetts	N/A	N/A	
New Hampshire	9,997	10,300	3.0
Rhode Island	13,456	13,792	2.5
Vermont*	7,170	7,376	2.9
Mideast	403,203	412,488	2.3
Delaware	13,600	14,100	3.7
Maryland	56,344	57,784	2.6
New Jersey*	67,500	70,600	4.6
New York	186,211	189,996	2.0
Pennsylvania	79,548	80,008	.6
Great Lakes	248,428	251,751	1.3
Illinois	67,297	68,607	1.9
Indiana	34,540	34,596	.2
Michigan	62,700	63,700	1.6
Ohio	55,600	56,400	1.4
Wisconsin	28,291	28,448	.6
Plains	148,016	148,698	.5
Iowa	2,343	2,372	1.2
Kansas	38,919	39,678	2.0
Minnesota	24,982	25,446	1.9
Missouri	45,930	45,325	(1.3)
Nebraska	15,673	15,830	1.0
North Dakota	12,283	11,944	(2.8)
South Dakota	7,886	8,103	2.8
Southeast	512,745	521,470	1.7
Alabama	29,433	29,620	.6
Arkansas*	18,568	19,154	3.2
Florida	89,162	94,880	6.4
Georgia	46,595	47,073	1.0
Kentucky*	33,120	33,228	.3
Louisiana	50,264	49,118	(2.3)
Mississippi*	24,403	25,198	3.3
North Carolina	58,089	59,122	1.8
South Carolina	47,320	48,530	2.6
Tennessee	41,092	40,397	(1.7)
Virginia	49,826	50,447	1.2
West Virginia	24,873	24,703	(.7)
Southwest	177,821	182,536	2.7
Arizona	21,310	21,651	1.6
New Mexico	17,200	17,400	1.2
Oklahoma*	33,501	34,618	3.3
Texas	105,810	108,867	2.9
Rocky Mountain	65,077	65,239	.2
Colorado	20,500	20,567	.3
Idaho	9,377	9,789	4.4
Montana	10,920	10,566	(3.2)
Utah	16,240	16,270	.2
Wyoming	8,040	8,047	0.0
Far West	384,710	392,009	1.9
California	240,527	243,168	1.1
Nevada	9,391	9,994	6.4
Oregon	28,490	28,823	1.2
Washington	72,600	75,700	4.3
Alaska	17,155	17,292	.8
Hawaii	16,547	17,032	2.9

NOTES TO TABLE A-10
ANNUAL CHANGE IN THE SIZE OF THE STATE WORKFORCE

Arkansas	Does not include Highway Department employees, constitutional offices, or cash-funded boards and commissions.
Kentucky	Permanent, full time employees.
Mississippi	Full time employees.
New Jersey	Full time employees.
Oklahoma	As of May 30 each year.
Vermont	Executive branch only.

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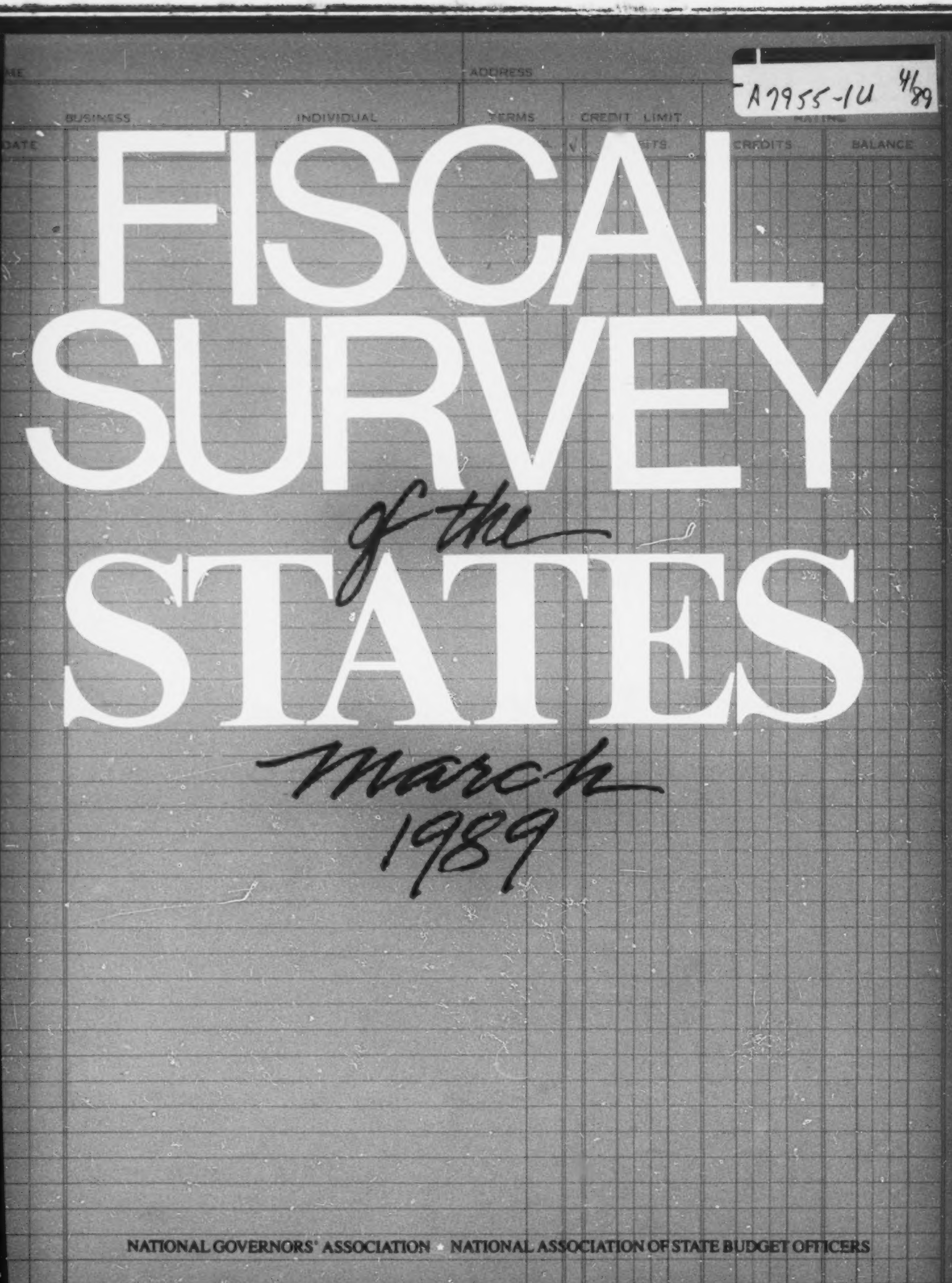
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FISCAL SURVEY of the STATES

March 1989

NATIONAL GOVERNORS' ASSOCIATION • NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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Fiscal Survey of the States

March 1989

By

Marcia A. Howard

National Governors' Association
National Association of State Budget Officers

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PREFACE

The Fiscal Survey of the States is published annually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1977. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. While not the totality of state spending, these funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of the states. A separate survey that includes total state spending is also conducted annually.

The field survey on which this report is based was conducted by the National Association of State Budget Officers in January, February, and March 1989. The surveys were completed by Governors' state budget officers in fifty states.

Fiscal 1988 data represent actual figures, fiscal 1989 data are estimates, and fiscal 1990 data are figures contained in Governors' budget proposals. In forty-six states, fiscal 1989 will close on June 30, 1989. New York's fiscal year will end March 31, 1989. Texas' fiscal year will end August 31, 1989, and Michigan and Alabama will close their fiscal years on September 30, 1989.

The Fiscal Survey of the States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. Marcia Howard compiled data for the report and prepared the text. Laura Shaw compiled and produced the report and Gerald Miller provided technical support. Rae Young Bond of the National Governors' Association edited the report.

EXECUTIVE SUMMARY

Despite significant fiscal stress in a few states, 1989 is a year of stability in state finances. Much of the budget-cutting activity in 1989 and the proposed tax activity for 1990 is occurring in three northeastern states -- Connecticut, Massachusetts, and New York. While only eleven states and the District of Columbia report revenues below original estimates for 1989, six of them are located in New England and the Mideast. Most of the rest of the country enjoys revenue growth in excess of original estimates.

Ten states plus the District of Columbia have cut enacted budgets in 1989, while eighteen cut them in 1988 and twenty-four in 1987. Of roughly $1.2 billion in cuts, more than 70 percent is accounted for in two states -- Massachusetts and New York.

On the tax side, thirty-two states plus the District of Columbia are considering tax changes. Most of these are minor. Again, the Northeast dominates proposed tax activity. Three states --- Connecticut, Massachusetts, and New York --- account for more than 34 percent of the $5.1 billion in proposed tax increases.

The last *Fiscal Survey of the States* drew attention to a troubling pattern of declining ending balances in state budgets. This report has good news and bad news: 1988 balances are significantly higher than reported in October but the trend to "spend them down" continues.

States ended 1988 with total balances of roughly $9.8 billion, an increase of $2.4 billion over the figure reported in October 1988. Yet, states estimate that in both 1989 and 1990 expenditures will exceed revenues with an accompanying decline in reserves available for fiscal emergencies. While the healthy performance of the national economy continues to bode well for state fiscal conditions, the pattern of spending in excess of receipts places states at risk should an economic downturn occur.

Major findings of this survey include:

- State spending shows a one-year increase of 8.0 percent in 1989, after a 7.0 percent increase in 1988. For 1990, expenditures are slated to fall back into the range of the last few years and increase 6.4 percent.
- Revenues, which increased 5.7 percent from 1987 to 1988, are estimated to increase 6.5 percent in 1989 and 5.8 percent in 1990.
- Thirty-two states and the District of Columbia are facing proposed tax changes in 1990, with twenty-four net increases and nine net decreases proposed.
- There is continued interest in raising motor fuel and cigarette taxes, with eleven Governors proposing increases in the former and ten proposing increases in the latter.
- Twenty-eight states report that revenues for 1989 are higher than estimates used when the budget was adopted.
- Governors are recommending increases in local aid programs in twenty states. These proposals include greater local taxing authority, tax sharing, and increased aid for education.

I. State Expenditure Developments

Overview

Proposed 1990 budgets total more than $271 billion, representing a 6.4 percent increase over 1989 expenditures. For 1989, expenditures are estimated to increase 8.0 percent. For some states, nursing home reform requirements of the Omnibus Budget Reconciliation Act of 1987 were not incorporated in original budgets and had to be added during the fiscal year. These requirements, which became effective January 1, 1989 explain part of the jump in expenditures in 1989. For 1988, real state spending increased 2.9 percent. For 1989 and 1990 it is estimated to increase 2.9 percent and 1.3 percent.

Table 1
STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, 1979-1990

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
1990	6.4% (est.)	1.3% (est.)
1989	8.0 (est.)	2.9 (est.)
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-90 average	8.1%	1.7%

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes.

The most troubling development in state spending trends is an emerging pattern of expenditures that exceed current revenues. For 1989, state expenditures are estimated to exceed revenues by more than $1.8 billion. At the same time, budget stabilization funds --- which are recorded as expenditures --- are slated to increase by $762 million from 1988 to 1989. There is a $1.1 billion gap between spending and current revenues.

The pattern continues in 1990. State spending is proposed to exceed revenues by $3.3 billion. Less than half of this gap is accounted for by the $1.3 billion in appropriations to budget stabilization funds. The result is that total balances available for fiscal emergencies decline from 4.2 percent in 1988 to 3.5 percent in 1989 and 3.0 percent in 1990.

While the total is below the 5.0 percent "standard" that some experts feel is appropriate for state year-end balances, it is consistent with balances over the last few years: in 1986 state balances represented 3.3 percent of expenditures and in 1987 they represented 3.1 percent.

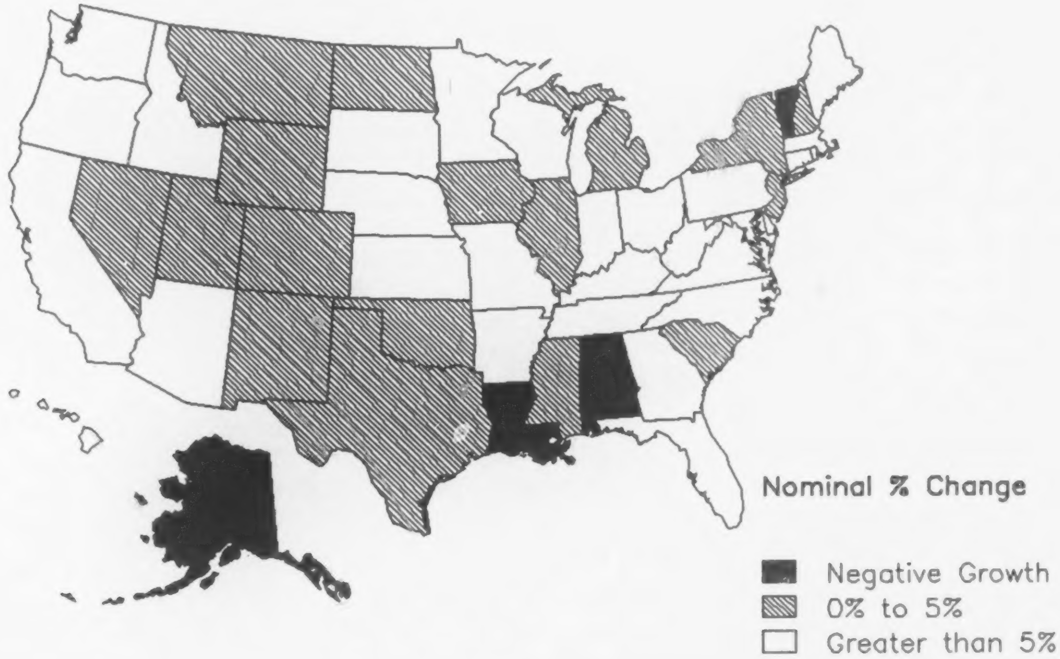
Within the states there is considerable variation in the rate of increase in state spending.

Table 2
ANNUAL STATE GENERAL FUND EXPENDITURE INCREASES

	Number of States		
Spending Growth (percentage)	*Fiscal 1988 (Estimated)*	*Fiscal 1989 (Estimated)*	*Fiscal 1990 (Proposed)*
Less than 0	6	1	4
0.0-4.9	10	15	14
5.0-9.9	23	13	22
Over 10	11	21	9
Average Growth Rate	7.0%	8.0%	6.4%

Only one state, Wyoming, estimates that expenditures in the current year will be less than those for 1988. A total of thirty-four states estimate that 1989 expenditures will exceed 1988 spending by at least 5 percent, with twenty-one states spending 10 percent or more than in 1988. Proposed spending for 1990 has thirty-one states increasing spending by more than 5 percent, with only nine spending 10 percent or more than in 1989. Further detail on state expenditures is contained in Appendix Tables A-1, A-2, A-3, and A-7.

Figure 1
NOMINAL EXPENDITURE GROWTH IN FISCAL 1990 STATE BUDGETS



Biennial Budgets

Budgeting for a biennium instead of a single year can introduce peculiarities in state spending data. Twenty-one states use biennial budgets. Of these, only Kentucky, Virginia, and Wyoming have biennia that end in 1988 and 1990. The other eighteen will end their biennia in 1989 and, as a result, may report unusually high expenditures in that year. A good example of this is Nevada, where 1989 expenditures are estimated to be almost 29 percent higher than in the previous year. This figure, however, includes capital expenditures of $75.3 million that were made for the biennium but included in 1989 data.

Budget Management

In any given year a certain number of states will face the need to reduce expenditures or raise revenues in order to balance the enacted budget. This need arises because either revenues are lower or expenditures are higher than anticipated when the budget was adopted. Since forty-nine states are required by law to balance their budgets every year, immediate action is necessary. In the short term, it is less difficult to cut expenditures than to raise revenues, and the majority of budget-balancing measures are taken in this manner.

For the country as a whole, 1989 has been very good for state budgets. Whereas eighteen states had to address budget deficiencies in 1988, only ten states plus the District of Columbia have been required to do so this year. Yet, while 1988 cuts totaled $903 million, 1989 cuts exceed $1.1 billion. There are fewer states in difficult financial straits, but those in stress are much worse off than in previous years.

Table 3 highlights the extent to which 1989 fiscal stress is centered in the Northeast. Of the ten states on the list, half are in this region and their reductions represent more than 79 percent of the total amount cut. New York and Massachusetts alone represent $815 million of the $1.15 billion in budget cuts made this year. Massachusetts' cut represents 4.5 percent of its state budget and is the largest relative cut. New Jersey, with a 0.2 percent budget cut, required the smallest reduction of the states listed.

At the same time that these states were enacting budget cuts, many were also required to dip into their reserves. Connecticut ended 1988 with a deficit of $116 million that was funded by its budget stabilization fund. New Jersey's ending balance will decline from $774 million in 1988 to $302 million in 1989. New Hampshire's total reserves will drop from $40 million in 1988 to $27 million in 1989.

Table 3
STATE BUDGET CUTS ADOPTED IN FISCAL 1989 AFTER THE APPROPRIATIONS BILL HAD PASSED

State	*Amount (in mil.)*	*Cut as % of G.F. Expenditures*	*Action Taken By*	*Selective vs. Across the Board*	*Dates Enacted*	*Notes*
Arizona	$15.1	0.5%	Legislature (Governor)	Selective	2/89 (Prop.)	Exempts K-12 education and community colleges
Connecticut	65.0	1.2	Governor	Selective	9/88	Includes only agency operating budgets.
D.C.	89.2	3.0	Mayor	Selective	2/89 (Prop.)	Exempts schools, courts, law school.
Hawaii	13.0	0.6	Governor	ATB	7/88	Exempts grants-in-aid to counties, welfare payments, debt service, unemployment insurance, workers' comp.
Massachusetts	369.0	4.5	Governor	Selective	Various	Attrition and selective layoffs; management of agency deficiencies; further agency savings.
Missouri	50.0	3.0	Governor	ATB	7/88	Exempts aid to public schools, Medicaid, AFDC, certain mental health programs.
New Hampshire	6.0	1.0	Governor	Selective	1/89	Exempts direct care and human service programs.
New Jersey	30.0	0.2	Governor	Selective	12/88	Hiring freeze.
New York	446.8	1.6	Both	Selective	6/88 11/88	Exempts patient, inmate, and client care; revenue-raising activities; criminal justice activities; various others.
North Dakota	21.0	3.8	Governor	ATB	8/88	No exemptions.
West Virginia	50.0	3.4	Governor	ATB	1/89	Exempts debt service.

Other Expenditure Issues

States were asked to provide information about three specific expenditure items: Aid to Families with Dependent Children (AFDC), aid to local governments, and employee compensation increases.

Aid to Families with Dependent Children. In twenty states, Governors' 1990 budget proposals recommend cost-of-living increases for AFDC recipients. In 1989 twenty-six states approved such increases. Of these twenty-six, eighteen had been recommended in Governor's budget proposals. Thus, 1990 increases may be approved in additional states as well. Table 4 lists the states where increases are proposed. New York, at 7 percent, has the highest recommended increase.

Table 4
COST OF LIVING INCREASES FOR AID TO FAMILIES WITH DEPENDENT CHILDREN–FISCAL 1990

State	*Proposed 1990*	*State*	*Proposed 1990*
Alabama	0.0%	Montana	N/A
Alaska	0.0	Nebraska	0.0%
Arizona	0.0	Nevada	*
Arkansas	0.0	New Hampshire	2.0
California	0.0	New Jersey	0.0
Colorado	2.0	New Mexico	0.0
Connecticut*	4.1	New York	7.0
Delaware	*	North Carolina	0.0
Florida	0.0	North Dakota	0.0
Georgia	*	Ohio	4.0
Hawaii	*	Oklahoma	0.0
Idaho	4.1*	Oregon	0.0
Illinois	0.0	Pennsylvania	5.0
Indiana	0.0	Rhode Island	5.0
Iowa	0.0	South Carolina	0.0
Kansas	2.0	South Dakota	0.0
Kentucky	5.0	Tennessee	6.1
Louisiana	0.0	Texas	0.0
Maine	0.0	Utah	3.0
Maryland	5.0	Vermont	3.0
Massachusetts	4.0	Virginia	0.0
Michigan	0.0	Washington	0.0
Minnesota	0.0	West Virginia	0.0
Mississippi	0.0	Wisconsin	0.0
Missouri	3.0*	Wyoming	0.0

NOTES:	Connecticut	Automatic cost of living adjustments tied to Consumer Price Index-Urban Wage Earners.
	Delaware	Increase ranges from 7% for families of one, to 7.3% for families of two, and 0% for families of three or more.
	Georgia	Proposed 10% increase in standard of need and 1% increase in payment.
	Hawaii	Depends on changes in federal poverty level.
	Idaho	Increase effective January 1990.
	Missouri	Increase effective January 1990.
	Nevada	For recipients who do not live in subsidized housing, 5.5%, and for recipients in subsidized housing, 1%.

Aid to Local Government: Twenty Governors have proposed increased aid to local government. This compares with fifteen states where aid proposals were adopted in 1989. Table 5 describes 1990 proposals that run the spectrum from property tax relief to taxing authority to assumption of local court costs.

Employee Compensation Increases: Appendix Table A-10 describes proposed employee compensation increases in 1990 budgets. At this time, thirty-two states propose across-the-board increases that average 3 to 5 percent. Merit and other increases are also listed in the table.

Table 5
NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT
FISCAL 1990

California	Fiscal 1990 will be the first full year for trial court funding with $432.1 million proposed. $205 million part-year funding was provided in 1989.
Hawaii	Eliminate the current grants-in-aid to counties program. Instead, transfer to the counties the taxing authority over liquor and tobacco.
Kansas	Five-year phase-out of county out-district tuition for community colleges; five-year phase-in of 40% state funding for community college operating budgets; revision of school finance.
Maine	Property tax relief of $4 million.
Maryland	Targeted drug enforcement grants of $2.5 million; increase special education funding by $5.0 million; increase community college funding by $10.0 million; aid for transportation of handicapped students of $1.4 million; prekindergarten programs of $3.4 million.
Massachusetts	Flexible, needs-based aid of $120 million.
Minnesota	Phased takeover of local court system recommended to begin in fiscal 1991.
Nebraska	Increased aid in various state aid programs such as: special education, school lunch, homestead exemption, community colleges, mental health, library aid, and several others.
Nevada	Mining products tax to cities, counties. Counties participate in medically indigent program.
New Hampshire	Increase funding to regional planning commissions. Local demonstration grants for recycling programs.
New York	Authorize local governments to adopt a 0.4% real estate transfer tax.
North Dakota	Governor supports 57% of one-cent sales tax for distribution to political subdivisions. For fiscal 1990 this would amount to an increase of $3.3 million over 1989.
Oregon	School district property tax relief of $46 million and grants for children's programs of $7 million.
Pennsylvania	A $25 million transfer from the State Workmen's Insurance Fund to the Local Tax Reform Fund. This will make a total of $165 million available for appropriation once the constitutional amendment for local tax reform is approved by the electorate.
Rhode Island	Increase state share of education financing from 48.5 percent to 51.4 percent at a cost of $11.7 million.
South Dakota	Dedicating 56.25% of sales tax to K-12 education; local government two-year property tax freeze.
Utah	Reduce transfers out of transportation fund by $5 million; local government will receive 25 percent of reduced transfers, or $1.25 million. Complete $3.0 million state takeover of district courts.
Virginia	Local option 1 percent income tax for transportation (subject to referendum). Increase state reimbursement for local health departments. Increase state reimbursement for hospitalization of indigent program.
Wisconsin	State assumption of district attorney compensation and court support costs. Propose Mutual Aid Program. Propose Clean Water Fund.
Wyoming	Revenues derived from the cigarette and malt beverage tax increases will flow to cities and counties based on population.

II. State Revenue Developments

Overview

There are two surprising developments relating to state revenues that emerge in this report. First, revenues for both 1988 and 1989 are higher than they were reported to be in the October 1988 *Fiscal Survey of the States*. Whereas that survey reported revenues of $236.2 billion and $249 billion for 1988 and 1989, this survey reports revenues of $238 billion and $253.4 billion for the same years.

Second, this survey marks a shift in state spending patterns. Instead of having revenues exceed expenditures, states report that expenditures will exceed revenues in 1989 and 1990. For 1989, states are estimated to spend $255.3 billion against revenues of $253.4 billion, and for 1990, expenditure estimates in proposed budgets total $271.5 billion against revenues of $268.2 billion.

The result of this development is that general fund ending balances will decline from $6.8 billion in 1988 to $5.3 billion in 1989 and $3.1 billion in 1990. At the same time, however, budget stabilization fund balances are slated to increase, so that total balances decline less than general fund ending balances, dropping from $9.8 billion in 1988 to $9.0 billion in 1989 and $8.1 billion in 1990.

Revenue growth for 1988 was higher than the 5.7 percent estimate in the last survey. Instead, 6.4 percent growth in 1988 will be followed by estimated growth of 6.5 percent in 1989 and 5.9 percent in 1990. States have expected for the last few years that the expansion in the national economy would slow and would result in slower revenue growth This is reflected in 1990 growth estimates below current growth rates.

Revenue Collections for 1989

Evidence of this thinking is especially apparent in 1989, where states originally estimated revenue growth of 5.4 percent and have now increased that estimate to 6.5 percent. In part, the conservative original estimates were based on assumed effects of the drought that hit the Plains in the spring and summer of 1988. Five of the seven Plains states now report revenues higher than estimates contained in enacted 1989 budgets.

The positive effects of a strong national economy cannot be overstated. Thirty-eight states report that revenues in 1989 are at or ahead of estimates contained in enacted budgets. Yet, the continued belief that the national expansion will wind down leads states to rein in their 1990 revenue estimates to growth of 5.9 percent.

The Northeast is the one region of the country where 1989 revenues are not as high as was anticipated when the budget was adopted. In New York, for example, revenue growth for 1989 is only 4.6 percent ahead of 1988. For other states, the combination of slower growth and optimistic estimates have combined to make budgets very tight.

Appendix Table A-8 compares current state estimates of income and sales tax collections to those used when budgets were adopted. It also reports states' overall revenue performance as measured against original estimates. An alarming feature of the table is that, while in most states revenues exceed estimates, the total figures paint a different picture.

For personal income taxes, total state revenues were estimated at $86.1 billion when 1989 budgets were adopted. Today they are estimated at $85.9 billion. Current estimates are actually lower when totaled than they were at budget enactment. This is explained by a few states whose downward revisions outweigh the gains of all the other states. In New York, for example, the current estimate is $1.4 billion lower than it was when the budget was adopted.

While current sales tax collections exceed early estimates, the gap is small. The current estimate of $87 billion barely exceeds the original estimate of $86.3 billion. Again, it is a case of a few big losers nearly equalling several small winners, with northeastern states reporting the largest downward revisions.

Fiscal 1990 Tax Changes

Thirty-two states and the District of Columbia will consider proposed tax changes for 1990, with twenty-four of those proposals resulting in net tax increases and nine resulting in net decreases. In all, a total of more than $5 billion is proposed to be raised for 1990 (see Table 6). Arkansas, Louisiana, and Washington will each consider major tax reform proposals that would affect most tax sources.

A list of specific tax proposals and the estimated impact on 1990 budgets is included in Table 7 and in Appendix Table A-9. Over 58 percent of proposed tax increases is concentrated in four states: Connecticut, Georgia, Massachusetts, and Ohio.

Personal Income Tax

Nine states will consider personal income tax cuts and eight will consider increases, with a net result of more than $1.5 billion in new revenue. Ohio faces a proposal that would raise income tax rates by 1 percent and dedicate $757 million in new revenue to education reform. Washington, in a major tax reform proposal, will consider the introduction of an income tax at 3.9 percent that will raise $441 million. Other states with significant increases are Connecticut (which taxes only capital gains, interest, and dividends) and Massachusetts, both of which are struggling with budget imbalances. Maryland has already enacted a tax cut.

Sales Tax

A total of almost $1.4 billion is proposed to be raised through sales tax increases. The largest increases come from rate increases proposed in Georgia and North Carolina, and from base expansion in Connecticut and West Virginia. Major reductions are proposed in conjunction with increased personal income tax rates in Louisiana and Washington.

Business Tax

Louisiana is the only state where there is a proposed net reduction in business taxes. In ten states and the District of Columbia, increases that will raise a net total of $362 million are proposed. The largest increases are proposed in Connecticut and West Virginia as part of those states' effort to regain fiscal stability, and in Ohio, where the Governor's education proposal would raise tax rates by 1 percent.

Table 6
SOURCES OF INCREASES IN STATE TAX COLLECTIONS, FISCAL 1964-1990

Fiscal Year	*Total Tax Revenue Collection ($ in billions)*	*$ Change in Total Tax Revenue ($ in billions)*	*% Change in Tax Revenue*[1]	*Net Change Resulting From Political Actions* [2] *($ in billions)*	*Change Resulting From Economic Factors* [3] *($ in billions)*
1990	N/A	N/A	N/A	$5.1(est)	N/A
1989	N/A	N/A	N/A	0.8	N/A
1988	$262.0	$15.4	6.2%	6.0	$9.4
1987	246.6	18.5	8.1	0.6	17.9
1986	228.1	12.8	5.9	-1.1	13.9
1985	215.3	18.3	9.3	0.9	17.4
1984	197.0	25.6	14.9	10.1	15.5
1983	171.4	8.8	5.4	3.5	5.3
1982	162.7	12.9	8.6	3.8	9.1
1981	149.7	12.7	9.2	0.4	12.3
1980	137.1	12.1	9.8	-2.0	14.1
1979	125.0	11.7	10.3	-2.3	14.0
1978	113.3	12.2	12.0	0.5	11.7
1977	101.1	11.8	13.3	1.0	10.8
1976	89.3	9.1	11.4	1.0	8.1
1975	80.2	5.9	8.0	-0.4	6.3
1974	74.2	6.1	9.0	-0.5	6.6
1973	68.1	8.2	13.7	0.9	7.3
1972	59.9	8.3	16.2	5.0	3.3
1971	51.5	3.6	7.5	0.8	2.8
1970	48.0	6.0	14.4	4.0	2.0
1969	41.9	5.5	15.2	1.3	4.2
1968	36.4	4.5	14.1	2.5	2.0
1967	31.9	2.5	8.7	0.5	2.0
1966	29.4	3.3	12.5	0.5	2.0
1965	26.1	1.9	7.8	0.1	1.8
1964	24.2	2.1	9.6	1.0	1.1

NOTES: 1/ Increase in actual tax collections divided by previous year collections.

2/ Political action includes discretionary legislative actions such as adopting or repealing a tax, raising or lowering a tax rate, and changing the tax base. Does not include administrative tax adjustments or changes in tax collection procedures. Generally does include temporary taxes that were made permanent (e.g., if a state adopted a one-year temporary tax increase in 1982 and then extended it in 1983, and made it permanent in 1984, then the tax increase was counted for three years because it required legislative action to maintain a rate that was scheduled to decrease). If a tax change is phased in over several years, only the first year of the tax change is counted. Figures in this column represent legislative tax changes that resulted from actions passed in the prior legislative session (e.g. fiscal 1989 tax changes were passed in the 1988 session); therefore, these figures represent revenue projections presented to legislators when they passed the tax change.

3/ Economic growth (or decline) and inflation's effect on revenue growth.

SOURCES: Advisory Commission on Intergovernmental Relations, ***Significant Features of Fiscal Federalism, 1985-86 Edition***, p.77, based on data from the Tax Foundation and the National Conference of State Legislatures. Fiscal 1988, 1989, and 1990 data provided by the National Association of State Budget Officers.

Cigarette Taxes

In an unusual development, one state will actually consider a reduction in cigarette taxes. Hawaii faces a proposal to remove state taxes on both cigarettes and alcohol and turn that taxing authority over to local government. Aside from that, ten states have proposed tax increases that range from increases of 3.5 cents to 18 cents per pack, as well as base expansion to include smokeless tobacco products.

Motor Fuel Taxes

Eleven Governors have proposed increases in motor fuel taxes. Actually, Georgia started with a large gas tax increase proposed but the proposal was replaced by a sales tax increase. More than $561 million is proposed to be raised from this tax source. There is some movement toward indexing this tax to reflect price changes, as is seen in Washington and Wisconsin.

Alcohol Taxes

Apart from Hawaii's proposed transfer of this tax source to counties, nine states will consider tax increases to raise a total of $94.1 million.

Miscellaneous Taxes

Sixteen states have other tax proposals slated for this legislative session. These include four tax decreases and twelve increases. The taxes affected include insurance premium taxes to mining and severance taxes.

Table 7
SUMMARY OF FISCAL 1990 TAX PROPOSALS BY TYPE OF TAX AND AMOUNT OF INCREASE OR DECREASE
($ in millions)

State	*Personal Income*	*Sales*	*Corporate Income*	*Cigarette/ Tobacco*	*Motor Fuels*	*Alcohol*	*Others*	*Total*
Alabama								0.0
Alaska		53.0			37.0		139.0	229.0
Arizona			10.0	30.0		10.0	205.0	255.0
Arkansas	-36.9	218.8	15.7	9.8		2.3	8.6	218.3
California								0.0
Colorado								0.0
Connecticut	214.0	404.0	70.0		48.7			736.7
Delaware	-16.6		1.0		8.0	2.6		-5.0
Florida								0
Georgia		687.0						687.0
Hawaii	-51.0			-21.0		-38.0		-110.0
Idaho	5.0		7.0					12.0
Illinois				180.0				180.0
Indiana								0.0
Iowa								0.0
Kansas	-78.9							-78.9
Kentucky								0.0
Louisiana	183.0	-192.0	-10.0	25.0	93.0	5.0	29.0	133.0
Maine								0.0
Maryland	-32.2							-32.2
Massachusetts	265.0	80.0		20.0	193.0	32.0		590.0
Michigan								0.0
Minnesota							40.0	40.0
Mississippi								0.0
Missouri				55.0				55.0
Montana								0.0
Nebraska	-23.5							-23.5
Nevada				38.1			59.3	97.4
New Hampshire								0.0
New Jersey	45.0						77.0	122.0
New Mexico								0.0
New York		72.0	52.0	108.0		45.0	142.0	419.0
North Carolina		306.0					-12.2	293.8
North Dakota	34.9	22.6			9.8		7.2	74.5
Ohio	757.0		78.0	90.1		31.0		956.1
Oklahoma								0.0
Oregon			40.5					40.5
Pennsylvania								0.0
Rhode Island		20.0	7.6		13.8	4.0	5.9	51.3
South Carolina								0.0
South Dakota								0.0
Tennessee		15.0			74.3		4.0	93.3
Texas								0.0
Utah							-19.0	-19.0
Vermont	-18.1							-18.1
Virginia	-100.0							-100.0
Washington	441.0	-422.0			75.0		-24.0	70.0
West Virginia		159.0	90.0		42.0		35.0	326.0
Wisconsin	-4.0	-3.0			3.9		-6.0	-9.1
Wyoming				2.0		0.2		2.2
Total	$1,583.7	$1,367.4	$361.8	$537.0	$561.5	$94.1	$551.8	$5,057.3
D.C.			21.2					21.2

III. Year-end General Fund Balances and Budget Stabilization Funds

Overview

This report has historically focused on general fund ending balances as the primary sign of a state's fiscal health. While it is true that these balances are important, they are only part of an increasingly larger picture. Beginning in the early 1980s, states began to rely more and more heavily on budget stabilization, or "rainy day" funds to hold unspent balances for use in fiscal crises. Thus, an accurate portrayal of state fiscal condition must focus on total funds available and include both general fund ending balances and budget stabilization fund balances. Detail on combined fund balances in contained in Appendix Table A-6.

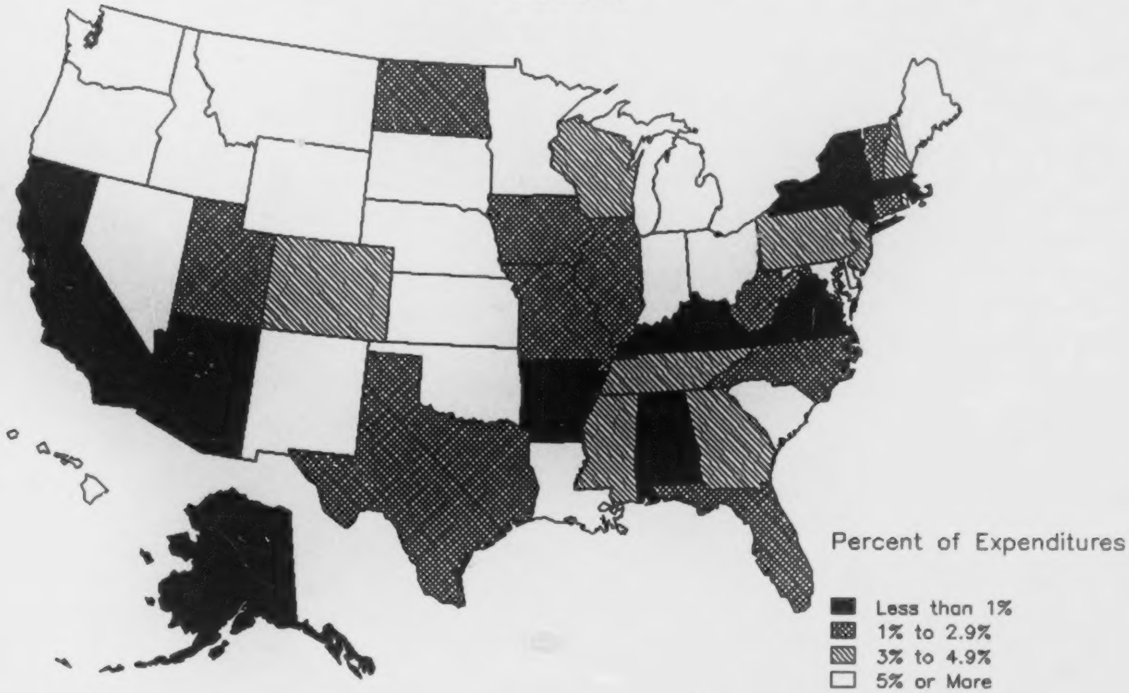
This survey has also recognized a standard balance that states should seek to achieve to insure fiscal stability. It has argued that a balance of 5 percent of expenditures is a "safe" balance that will allow states to meet unforeseen budget imbalances over the short term.

While states have met the 5 percent balance only twice in the 1980s, in 1988 they ended with total reserves of 4.2 percent of expenditures. Total balances are estimated to decline to 3.5 percent in 1989 and 3.0 percent in 1990. This represents considerable improvement in the estimates states made last fall and confirms the positive effect the national economy has had on state budgets. At that time, total balances were estimated at 3.2 percent for 1988 and 2.5 percent for 1989.

Table 8
Size of General Fund, Stabilization Fund, and Total Year-End Balances
1978 to 1990

	Balances ($ in billions)			*As Percent of Expenditures*		
Year	*General Fund*	*Stabil. Fund*	*Total Balance*	*General Fund*	*Stabil. Fund*	*Total Balance*
1990	$3.10 (est.)	$5.0 (est.)	$8.1	1.2%	1.8%	3.0%
1989	5.3 (est.)	3.6 (est.)	9.0	2.1	1.4	3.5
1988	6.8	2.9	9.8	2.9	1.2	4.2
1987	3.7	3.0	6.7	1.7	1.4	3.1
1986	5.4	1.8	7.2	2.6	0.9	3.5
1985	8.0	1.7	9.7	4.3	0.9	5.2
1984	5.6	0.8	6.4	3.3	0.5	3.8
1983	2.0	0.3	2.3	1.3	0.2	1.5
1982	4.5	0.0	4.5	2.9	---	2.9
1981	6.5	0.0	6.5	4.4	---	4.4
1980	11.8	0.0	11.8	9.0	---	9.0
1979	11.2	0.0	11.2	8.7	---	8.7
1978	8.9	0.0	8.9	8.6	---	8.6

Figure 2
TOTAL YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1989



The variation in state fiscal conditions can be seen by looking at the number of states within a given range of total balances. The following table illustrates the good fiscal condition of most states. The majority of states ended 1988 with total balances of over 5 percent. Thirteen had balances of over 10 percent. At the same time, however, five states had less than 1 percent held in year-end general fund balances and budget stabilization funds.

Table 9
TOTAL YEAR-END BALANCES AS A PERCENTAGE OF EXPENDITURES

	Fiscal 1988 Actual (# of States)	*Fiscal 1989 Estimated (# of States)*	*Fiscal 1990 Proposed (# of States)*
Less than 1.0%	5	9	8
1.0 - 2.9%	9	11	18
3.0 - 4.9%	7	9	9
5% or more	29	21	15
Average Percentage	4.2%	3.5%	3.0%

The next two fiscal years illustrate the diminishing total balances available to states. In 1989, almost half the states will still have more than 5 percent held in reserves, but by the end of 1990 fifteen will fall into this category. The largest growth occurs in the 1 percent to 5 percent range, where sixteen states are listed for 1988, twenty for 1989, and twenty-seven for 1990. Louisiana is the only state to end 1988 with a budget deficit and Alaska is the only state estimating that 1989 will end with a deficit.

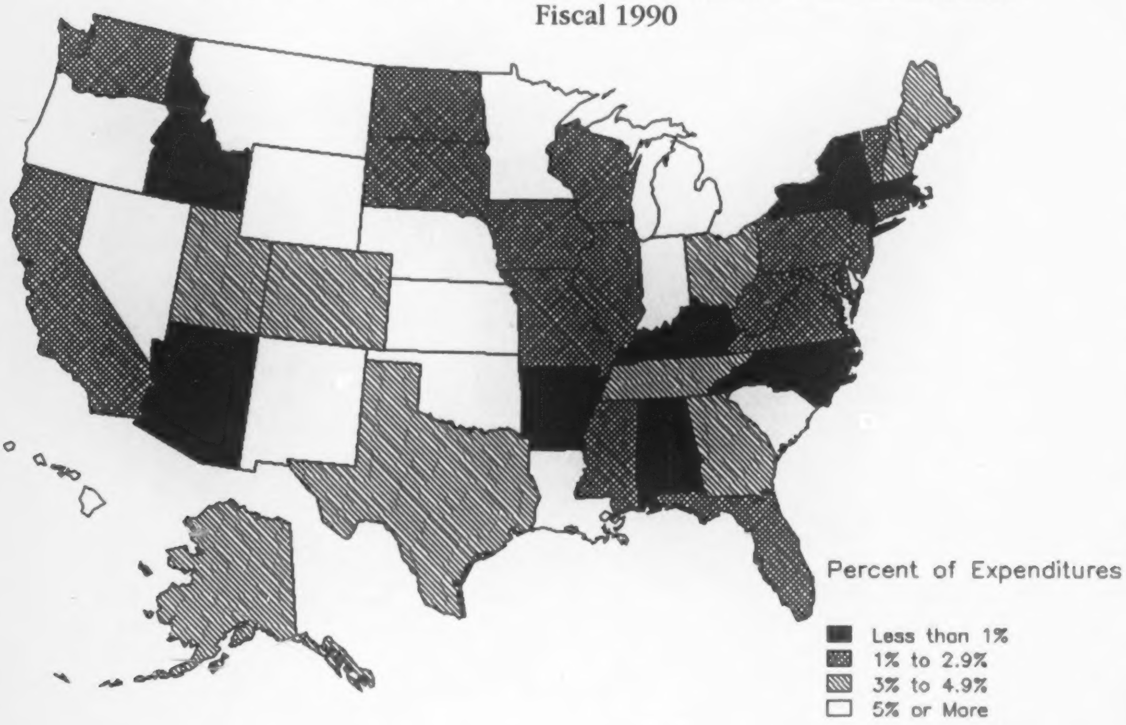
General Fund Ending Balances

General fund ending balances ended 1988 at $6.8 billion and represented 2.9 percent of state expenditures. This level exceeds by $2.1 billion the $4.7 billion that was reported in the last survey. This difference is largely explained by nine states where 1988 balances increased significantly: Florida, Louisiana, Maine, Maryland, Minnesota, New Jersey, Texas, Virginia, and Washington.

For the states as a whole, general fund ending balances are declining. From the 1988 level of $6.8 billion they will drop to $5.3 billion in 1989 and $3.1 billion in 1990. By 1990, they will represent just 1.4 percent of state general fund expenditures. More detail on general fund ending balances is contained in Appendix Table A-4.

Between 1988 and 1989, New Jersey's balance alone will drop by $472 million. Other states with significant reduction in ending balances include Alaska, Minnesota, North Dakota, Rhode Island, and Utah.

Figure 3
TOTAL YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1990



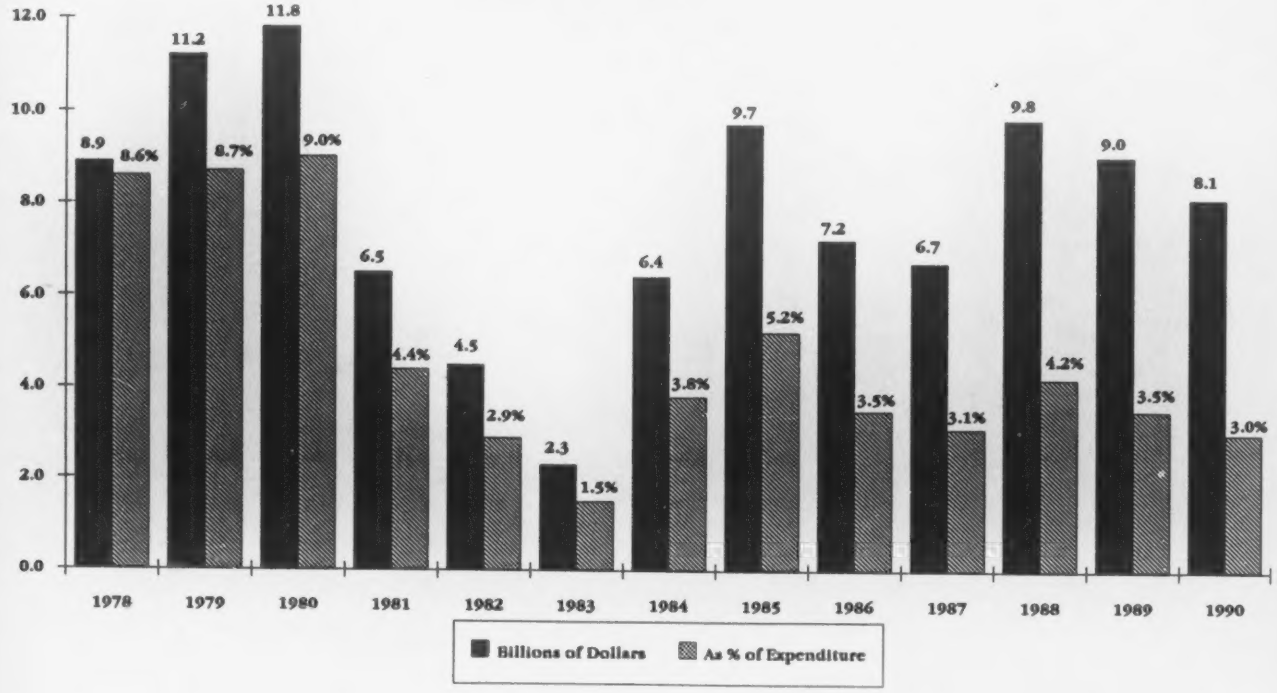
Budget Stabilization Funds

Twenty-nine states propose to end 1990 with balances held in budget stabilization funds. Some of the states that have encountered budget imbalances over the last few years have used these funds to meet budget needs. Massachusetts' balance declined from $112 million in 1988 to zero in 1989. Connecticut met its 1988 deficit of $116 million by reducing its stabilization fund balance.

At the same time, other states are continuing to increase their balances held in budget stabilization funds. California, which depleted most of its reserves to meet a revenue crunch in 1988, proposes to build its budget stabilization fund from $4 million in 1988 to $42 million in 1989 and $1.1 billion in 1990. Minnesota will more than double its fund balance between 1988 and 1989 so that it jumps from 4.6 percent to 8.6 percent of total expenditures. Appendix Table A-5 lists state-by-state detail for budget stabilization funds.

There appears to be a changing relationship between ending balances and budget stabilization funds. In the past, states held most of their reserves in ending balances and less in budget stabilization funds. Results from this survey suggest that this is beginning to change. In each of the years surveyed, the amount held as ending balances declines and the balance in budget stabilization funds increases, so that by 1990 states propose to hold $5.0 billion in budget stabilization funds and $3.1 billion in general fund ending balances.

Figure 4
SIZE OF TOTAL YEAR - END BALANCES
Fiscal 1978 to 1990



Over the years surveyed, budget stabilization funds will increase from $3.0 billion in 1988 to $3.6 billion in 1989 and $5.0 billion in 1990. Their proportion of expenditures will grow from 1.3 percent to 1.4 percent to 1.8 percent. While appropriating revenue for these funds can push expenditures higher than revenues, the size of budget stabilization fund increases does not equal the gap between expenditures and revenues in 1989 or 1990.

California and Texas represent most of the increase in budget stabilization fund balances from 1989 to 1990. In the absence of this $1.3 billion increase, there would be a small net change in budget stabilization funds and states would be holding slightly more in these funds than in general fund ending balances. The same is true in 1989, when Texas and Minnesota represent $572 million of the $646 million increase over 1988.

IV. Regional Fiscal Outlook

Overview

1988 and 1989 have been good years for most states. Nothing affects state budgets more than the condition of the national economy. Many states believed that 1989 would bring slower economic growth and adopted budgets reflected this belief. However, the economy chugs along and most states continue to enjoy the prospect of revising revenue estimates up, instead of down. There are, of course, significant exceptions. There is also the prospect that the coming years will hold what 1989 has not: a slowdown in the national economy.

In spite of the overall health of state budgets, the trend toward spending more than is received places states at risk. If total reserves decline when the national economy is strong, what will happen when the national economy weakens?

Table 10
REGIONAL BUDGET AND ECONOMIC INDICATORS

	*Weighted Unemployment Rate**	*Weighted Annual % Change in Personal Income***	*Annual % Change in Population****	*Fiscal 1989 Total Balances as % of Expenditures*	*Fiscal 1990 Proposed General Fund Budget Growth (%)*	*# of States in Region*
New England	2.5%	8.9%	1.0%	2.1%	8.9%	6
Mideast	4.1	7.9	0.7	2.6	5.1	5
Great Lakes	5.2	6.5	0.6	4.8	4.7	5
Plains	4.0	5.1	0.7	9.1	7.6	7
Southeast	6.2	8.2	1.5	2.8	6.7	12
Southwest	6.8	6.9	0.3	3.9	3.5	4
Rocky Mountain	5.1	6.1	-0.3	5.7	3.7	5
Far West	5.2	8.9	1.8	2.3	9.0	6
Average	**4.9%**	**7.6%**	**1.0%**	**3.5%**	**6.4%**	**50**

SOURCES: * U.S. Department of Labor, Bureau of Labor Statistics, January 1989.
** U.S. Department of Commerce, Bureau of Economic Analysis, January 1989. Third quarter 1987 to third quarter 1988.
*** FFIS Issue Brief 88-19, New State Population Estimates.

The following sections describe regional economic and fiscal conditions.

New England. Although the bad news has largely focused on this region, it is unfair to conclude that the entire region is in fiscal difficulty. Maine and Vermont have recently enacted or proposed tax cuts and there is no evidence that the economic condition of the region is getting worse. Rather, New England has the lowest unemployment rate and is tied for the highest personal income growth rate in the country.

What does seem true is that the days of double-digit growth are over. In many of these states, revenue and expenditure growth has been near or in double digits. At least part of the fiscal woes of 1988 and 1989 can be attributed to the assumption that this growth level would continue. Instead, New England has joined the rest of the country with a more moderate growth rate. With unemployment at only 2.5 percent, it is difficult to imagine that significant job growth is possible.

In terms of state budgets, this slower rate of growth means that states will face pressure to contain expenditures. The recovery of the mid-1980s was accompanied by program expansion, the full effects of which are still being felt in some states. This is reflected in the extensive tax activity in this region. It is also reflected in the data in Table 10, which shows that although New England has the lowest relative balances in 1989, it also has the second highest expenditure growth rate for 1990.

Mideast. The Mideast has the third lowest unemployment rate in the country and the fourth highest personal income growth. It also contains some of the states that have encountered significant budget imbalances in the current fiscal year. This is reflected in its ending balances, which currently represent just 2.6 percent of expenditures. It does appear that these states have succeeded in limiting expenditure increases, with 1990 expenditures proposed to increase by only 5.1 percent. In 1989, proposed expenditures were slated to grow 7 percent.

Great Lakes. The Great Lakes region is showing remarkable improvement in its fiscal health. Its unemployment rate has come down 0.9 percent since the last survey, its personal income and population growth are up, its ending balances are just under 5 percent of expenditures, and expenditure growth for 1990 is proposed to increase 4.7 percent, comfortably below the national average of 6.4 percent. This region remains a picture of moderation, holding down the middle of almost every category reported.

Plains. Little has changed in the Plains states since the last survey, with one exception: ending balances have risen from 6.1 percent to 9.1 percent of expenditures. This is partly due to less severe drought effects than had been anticipated and is reflected in improved revenue growth in the region. Also, Kansas has been increasing its ending balances since federal tax reform, and is proposing to return revenues to taxpayers in 1990. There is the prospect of another drought in the summer of 1989 and this will probably result in moderate spending growth, which is proposed to increase 7.6 percent.

Southeast. This is the only region of the country where the unemployment rate is higher now than it was when the last survey was published. At the same time, however, growth in personal income has improved since October 1988. A significant development in the region is the early passage of tax proposals in West Virginia that will help to alleviate the fiscal problems that have plagued the state for some time. Tax reform proposals in Louisiana offer the same hope for that state.

Southwest. Because of Texas, the Southwest shows the biggest improvement since the October survey. The unemployment rate has declined by 0.7 percent, personal income growth has increased by 2.8 percent, and ending balances are 3.9 percent versus a negative 2.2 percent last year. With spending growth proposed to be just 3.5 percent, the region is growing its way back to fiscal stability. Significant problems in Arizona are being addressed through a major tax increase proposal.

Rocky Mountain. Aside from a loss in population, this region shows continued recovery from the early 1980s. Its personal income growth is the second lowest in the country, but ending balances of 5.7 percent of expenditures continue to provide a cushion against fiscal instability. Expenditure growth is low and the unemployment rate continues to drop, suggesting that the worst may have passed.

Far West. This is a region of enormous contrasts, with one large state (California) cautiously rebuilding its reserves and trying to contain expenditures and a small state (Hawaii) sitting on one of the largest reserves in the country and spending well above the national average. For the region as a whole, personal income growth is tied for the highest growth rate in the country, the unemployment rate has declined since the last survey, and population growth continues to set the pace for the nation. On the other hand, the Far West exhibits the same combination of factors as New England: relatively low balances combined with high proposed expenditures. At 9 percent proposed growth, expenditures have the capability of placing stress on some state budgets.

APPENDIX

Table A-1
FISCAL 1988 STATE GENERAL FUND
($ in millions)
Actual Figures

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States with Annual Budgets						
Alabama	$69	$2,886	$2,955	$2,800	$155	$21
Alaska	14	2,466	2,480	2,256	224	
Arizona	56	2,563	2,619	2,613	6	
California	661	32,534	33,195	33,024	171	4
Colorado	45	2,198	2,243	2,143	100	
Connecticut	0	4,860	4,860	4,976	-116	320
Delaware	170	1,028	1,198	1,093	105	53
Georgia	164	5,944	6,108	5,959	149	177
Idaho	0	675	675	658	17	
Illinois	154	11,620	11,774	11,528	246	
Iowa	68	2,416	2,484	2,422	62	
Kansas	73	2,115	2,188	1,886	302	
Louisiana	-446	3,795	3,349	3,861	-512	
Maryland	208	5,093	5,301	4,892	409	65
Massachusetts	41	7,556	7,597	7,556	41	112
Michigan	11	6,691	6,702	6,684	18	381
Mississippi	116	1,626	1,742	1,653	89	20
Missouri	50	3,523	3,573	3,479	94	
New Jersey	722	10,362	11,084	10,310	774	246
New Mexico	0	1,584	1,584	1,584	0	155
New York	169	26,875	27,044	26,991	53	
Oklahoma	0	2,397	2,397	2,281	116	78
Pennsylvania	348	10,264	10,612	10,517	95	80
Rhode Island	106	1,265	1,370	1,256	115	28
South Carolina	14	2,928	2,942	2,814	128	86
South Dakota	36	397	433	392	41	
Tennessee	22	3,155	3,177	3,111	66	75
Utah	29	1,460	1,489	1,402	87	43
West Virginia	33	1,416	1,449	1,414	35	
States with Biennial Budgets						
Arkansas	$0	$1,546	$1,546	$1,546	$0	
Florida	36	8,781	8,817	8,582	235	$110
Hawaii	339	2088	2,427	1,957	470	
Indiana	101	3957	4,058	3,815	243	220
Kentucky	165	3,074	3,239	3,208	31	
Maine	60	1,335	1,395	1,254	141	25
Minnesota	477	5,870	6,347	5,762	585	265
Montana	11	400	410	371	39	
Nebraska	55	1,014	1,068	891	178	18
Nevada	27	625	652	586	65	40
New Hampshire	23	543	566	553	13	27
North Carolina	362	5,805	6,167	5,774	393	
North Dakota	19	536	555	506	49	
Ohio	226	10,024	10,250	9,953	297	284
Oregon	235	1,677	1,912	1,825	87	
Texas	-724	12,707	11,983	11,870	113	
Vermont	61	519	580	506	74	8
Virginia	248	5,120	5,368	5,099	269	
Washington	166	5,014	5,180	4,989	192	
Wisconsin	233	5,251	5,483	5,289	194	
Wyoming	46	377	423	351	72	55
Total	$5,098	$237,953	$243,051	$236,240	$6,812	$2,996
D.C.	-205	2,652	2,447	2,667	-219	

NOTES TO TABLE A-1

For all states, transfers into budget stabilization funds are counted as expenditures.

California	"Rainy Day" Fund balance includes the Reserve for Economic Uncertainties. Beginning balances include prior year's "Rainy Day" Fund balance.
Colorado	Required reserve is included with ending balance.
Delaware	"Rainy Day" or Reserve Fund balance is included in ensuing year's beginning balance.
D.C.	Other sources and uses and adjustments are applied to revenues and expenditures.
Florida	State has biennial budgets but appropriates annually.
Illinois	Expenditures include transfers.
Maryland	Expenditures equal appropriations plus requested deficiency appropriation minus reversions.
Massachusetts	Revenues include revenues and other financing sources. The ending balances are composed of undesignated funds.
Minnesota	Beginning balance includes budget stabilization fund.
Nevada	Expenditures include one-time expenditure of $75.3 million for capital improvements.
New Jersey	Revenues include adjustments of $335 million.
New Mexico	Total expenditures include fund transfers of $1.1 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (Rainy Day Fund).
Oregon	Biennial expenditures were split 49 percent to the first year of the biennium (1988, 1990) and 51 percent to the second year of the biennium (1989). Using fiscal year figures may present erroneous results.
Pennsylvania	In addition to its "Rainy Day" Fund Pennsylvania expects a balance of $19 million in its Sunny Day Fund which is used for economic development.
Rhode Island	Resources include other financing sources.
Tennessee	Expenditures include fund transfers.
Texas	Beginning balances include budget stabilization funds.
Utah	At the end of fiscal 1988, $77 million was allocated for an income tax refund equal to 12.5 percent of 1987 income tax liability. The actual refund cost was $72 million.

Table A-2
FISCAL 1989 STATE GENERAL FUND
($ in millions)
Estimates

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States with Annual Budgets						
Alabama	$155	$3,012	$3,167	$3,159	$8	$13
Alaska	224	1,935	2,159	2,311	-152	
Arizona	6	2,911	2,917	2,913	5	
California	175	36,002	36,177	35,965	212	42
Colorado	100	2,320	2,420	2,318	102	
Connecticut	0	5,590	5,590	5,589	0	130
Delaware	158	1,076	1,234	1,135	99	56
Georgia	149	6,345	6,494	6,403	91	190
Idaho	17	724	741	704	37	
Illinois	246	11,905	12,151	11,900	251	
Iowa	62	2,613	2,675	2,628	47	
Kansas	302	2,197	2,499	2,172	327	
Louisiana	-512	4,824	4,312	4,036	276	
Maryland	409	5,404	5,813	5,452	361	82
Massachusetts	41	8,170	8,211	8,210	1	
Michigan	18	6,817	6,835	6,816	20	417
Mississippi	89	1,788	1,876	1,815	61	20
Missouri	94	3,792	3,886	3,818	69	
New Jersey	774	11,080	11,854	11,552	302	246
New Mexico	0	1,642	1,642	1,642	0	171
New York	53	28,113	28,166	28,166	0	
Oklahoma	116	2,585	2,701	2,530	171	154
Pennsylvania	95	11,165	11,260	10,985	275	112
Rhode Island	115	1,333	1,448	1,416	31	37
South Carolina	128	3,103	3,231	3,155	76	81
South Dakota	41	408	449	417	32	3
Tennessee	66	3,439	3,505	3,483	22	100
Utah	15	1,484	1,499	1,499	0	43
West Virginia	35	1,473	1,508	1,475	33	
States with Biennial Budgets						
Arkansas	$0	$1,612	$1,612	$1,612	$0	
Florida	235	9,359	9,594	9,512	82	$140
Hawaii	470	2,288	2,758	2,275	483	
Indiana	243	4,198	4,441	4,233	208	255
Kentucky	31	3,299	3,330	3,310	20	2
Maine	141	1,377	1,518	1,418	100	25
Minnesota	850	5,857	6,707	6,427	280	550
Montana	39	379	418	386	32	
Nebraska	178	1,004	1,182	1,009	174	50
Nevada	65	692	758	750	7	40
New Hampshire	13	570	584	584	0	27
North Carolina	393	6,186	6,579	6,399	180	
North Dakota	49	487	536	520	15	
Ohio	297	10,596	10,893	10,709	184	348
Oregon	87	1,990	2,077	1,899	178	
Texas	113	12,821	12,934	12,934	0	287
Vermont	74	535	609	604	5	10
Virginia	269	5,512	5,781	5,781	0	
Washington	192	5,532	5,723	5,367	356	
Wisconsin	194	5,531	5,725	5,520	205	
Wyoming	72	341	413	339	74	9
Total	$7,176	$253,416	$260,591	$255,251	$5,339	$3,642
D.C.	-219	2,816	2,597	2,796	-199	

NOTES TO TABLE A-2

For all states, transfers into budget stabilization funds are counted as expenditures.

Alabama	Revenues include $8.3 million from "Rainy Day" Fund.
California	"Rainy Day" Fund balance includes a $39.3 million reserve for grades K-12 and the California Community Colleges and $3.2 million for the Reserve for Economic Uncertainties. Beginning balances include prior year's "Rainy Day" Fund balance.
Colorado	Required reserve is included with ending balance.
Connecticut	Fiscal 1989 includes early tax increases that are recommended in the Governor's proposed budget for fiscal 1990.
D.C.	Estimate reflects the revision proposed by the mayor on February 8, 1989.
Delaware	"Rainy Day" or Reserve Fund balance is included in ensuing year's beginning balance.
Illinois	Expenditures include transfers.
Louisiana	Revenues include $783 million of Recovery District Bond proceeds to be repaid over a ten-year period.
Maryland	Expenditures equal appropriations plus requested deficiency appropriations minus reversions.
Massachusetts	Revenues include revenues and other financing sources. The ending balances are composed of undesignated funds.
Minnesota	Beginning balance includes budget stabilization fund.
Nevada	Expenditures include $75.3 million one-time expenditure for capital improvements.
New Jersey	Revenues include adjustments of $156 million.
New Mexico	Total expenditures include fund transfers of $13.3 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (Rainy Day Fund). Figures for 1989 are those recommended in Executive Budget submitted January 17, 1989.
N. Carolina	Resources include $25 million in legislative bonds.
Oregon	Biennial expenditures were split 49 percent to the first year of the biennium and 51 percent to the second year of the biennium. Using fiscal year figures may present erroneous results.
Pennsylvania	In addition to its "Rainy Day" Fund Pennsylvania expects a balance of $18 million in its Sunny Day Fund which is used for economic development.
Rhode Island	Resources include other financing sources.
Tennessee	Expenditures include fund transfers.
Texas	Beginning balances include budget stabilization funds.
Utah	Of the beginning balance for 1989, $72 million was refunded to taxpayers. Refund equaled 12.5 percent of income tax liabilities.

Table A-3
FISCAL 1990 STATE GENERAL FUND
($ in millions)
Recommended

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States with Annual Budgets						
Alabama	$8	$3,112	$3,120	$3,120	$0	$21
Alaska	0	2,386	2,386	2,309	77	
Arizona	5	3,255	3,260	3,246	14	
California	254	38,877	39,131	39,110	21	1,100
Colorado	102	2,416	2,518	2,423	95	
Connecticut	0	6,315	6,315	6,315	0	131
Delaware	155	1,131	1,286	1,226	60	61
Georgia	91	7,407	7,498	7,498	0	222
Idaho	37	741	778	773	5	
Illinois	251	12,345	12,596	12,345	251	
Iowa	47	2,737	2,784	2,712	72	
Kansas	327	2,228	2,555	2,364	191	
Louisiana	276	3,963	4,239	3,957	282	
Maryland	361	5,741	6,102	6,073	29	99
Massachusetts	1	8,877	8,878	8,849	29	
Michigan	20	6,992	7,012	6,988	24	424
Mississippi	61	1,847	1,908	1,907	1	20
Missouri	69	4,051	4,120	4,060	60	
New Jersey	302	11,711	12,013	11,765	248	
New Mexico	0	1,690	1,690	1,690	0	209
New York	0	29,406	29,406	29,406	0	
Oklahoma	171	2,652	2,823	2,629	194	154
Pennsylvania	275	11,453	11,728	11,725	3	145
Rhode Island	31	1,472	1,503	1,502	1	40
South Carolina	76	3,283	3,359	3,278	81	88
South Dakota	32	416	448	445	3	3
Tennessee	22	3,664	3,686	3,685	1	125
Utah	0	1,519	1,519	1,500	19	43
West Virginia	33	1,783	1,816	1,781	35	
States with Biennial Budgets						
Arkansas	$0	$1,723	$1,723	$1,723	$0	
Florida	82	10,039	10,121	10,121	0	$150
Hawaii	483	2,310	2,793	2,618	175	
Indiana	208	4,456	4,664	4,483	181	286
Kentucky	20	3,479	3,499	3,483	16	2
Maine	100	1,495	1,595	1,548	47	25
Minnesota	830	6,364	7,194	7,086	108	550
Montana	32	419	451	404	47	
Nebraska	174	1,033	1,206	1,065	142	40
Nevada	7	760	767	757	10	40
New Hampshire	0	602	602	602	0	27
North Carolina	180	6,693	6,873	6,873	0	
North Dakota	16	546	562	546	16	
Ohio	184	11,387	11,571	11,409	162	374
Oregon	178	2,114	2,292	2,168	124	
Texas	287	12,875	13,162	13,162	0	487
Vermont	5	588	593	593	1	10
Virginia	0	6,079	6,079	6,074	5	78
Washington	356	5,720	6,076	5,971	105	
Wisconsin	205	5,727	5,932	5,812	120	
Wyoming	74	342	416	339	78	9
Total	$6,429	$268,219	$274,647	$271,517	$3,130	$4,963
D.C.	-199	2,977	2,778	2,967	-189	

NOTES TO TABLE A-3

For all states, transfers into budget stabilization funds are counted as expenditures.

California	"Rainy Day" Fund balance includes a $230 million reserve for grades K-12 and the California Community Colleges and $870 million for the Reserve for Economic Uncertainties. Beginning balances include prior year's "Rainy Day" Fund balance.
Colorado	Required reserve is included with ending balance.
Delaware	"Rainy Day" or Reserve Fund balance is included in ensuing year's beginning balance.
Florida	State has biennial budgets but appropriates annually.
Illinois	Expenditures include transfers.
Iowa	Ending balance does not reflect impact of current collective bargaining.
Louisiana	Revenues include tax reform as enacted, subject to public referendum.
Maryland	Expenditures equal appropriations minus reversions.
Massachusetts	Revenues include revenues and other financing sources. The ending balances are comprised of undesignated funds.
Minnesota	Beginning balance includes budget stabilization fund.
New Jersey	Revenues include adjustments of $246 million.
New Mexico	Total expenditures include fund transfers of $3.0 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (Rainy Day Fund). Figures for 1989 are those recommended in Executive Budget submitted January 17, 1989. Total resources are net of $246 million planned impoundment to repay deficit notes. Expenditures include $80 million repayment to Infrastructure Trust Fund.
N. Carolina	Resources include $73.0 million in legislative bonds.
Oregon	Biennial expenditures were split 49 percent to the first year of the biennium and 51 percent to the second year of the biennium. Using fiscal year figures may present erroneous results.
Pennsylvania	In addition to its "Rainy Day" Fund Pennsylvania expects a balance of $51 million in its Sunny Day Fund which is used for economic development.
Rhode Island	Resources include other financing sources.
Texas	Beginning balances include budget stabilization funds.
Tennessee	Expenditures include fund transfers.
Utah	For 1990, $19 million has been set aside for a potential tax decrease.

Table A-4

ENDING BALANCES AS A PERCENT OF EXPENDITURES, 1988 TO 1990

($ in millions)

	General Fund Ending Balances			*As a Percent of Expenditures*		
State	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*
States with Annual Budgets						
Alabama	$155	$8	$0	5.5%	0.3%	0.0%
Alaska	224	-152	77	9.9	-6.6	3.3
Arizona	6	5	14	0.2	0.2	0.4
California	171	212	21	0.5	0.6	0.1
Colorado	100	102	95	4.7	4.4	3.9
Connecticut	-116	0	0	-2.3	0.0	0.0
Delaware	105	99	60	9.6	8.7	4.9
Georgia	149	91	0	2.5	1.4	0.0
Idaho	17	37	5	2.6	5.3	0.6
Illinois	246	251	251	2.1	2.1	2.0
Iowa	62	47	72	2.6	1.8	2.7
Kansas	302	327	191	16.0	15.1	8.1
Louisiana	-512	276	282	-13.3	6.8	7.1
Maryland	409	361	29	8.4	6.6	0.5
Massachusetts	41	1	29	0.5	0.0	0.3
Michigan	18	20	24	0.3	0.3	0.3
Mississippi	89	61	1	5.4	3.4	0.0
Missouri	94	69	60	2.7	1.8	1.5
New Jersey	774	302	248	7.5	2.6	2.1
New Mexico	0	0	0	0.0	0.0	0.0
New York	53	0	0	0.2	0.0	0.0
Oklahoma	116	171	194	5.1	6.8	7.4
Pennsylvania	95	275	3	0.9	2.5	0.0
Rhode Island	115	31	1	9.1	2.2	0.1
South Carolina	128	76	81	4.5	2.4	2.5
South Dakota	41	32	3	10.5	7.7	0.7
Tennessee	66	22	1	2.1	0.6	0.0
Utah	87	0	19	6.2	0.0	1.3
West Virginia	35	33	35	2.5	2.2	2.0
States with Biennial Budgets						
Arkansas	$0	$0	$0	0.0%	0.0%	0.0%
Florida	235	82	0	2.7	0.9	0.0
Hawaii	470	483	175	24.0	21.2	6.7
Indiana	243	208	181	6.4	4.9	4.0
Kentucky	31	20	16	1.0	0.6	0.5
Maine	141	100	47	11.2	7.1	3.0
Minnesota	585	280	108	10.2	4.4	1.5
Montana	39	32	47	10.6	8.3	11.6
Nebraska	178	174	142	19.9	17.2	13.3
Nevada	65	7	10	11.2	1.0	1.3
New Hampshire	13	0	0	2.4	0.0	0.0
North Carolina	393	180	0	6.8	2.8	0.0
North Dakota	49	15	16	9.7	2.9	2.9
Ohio	297	184	162	3.0	1.7	1.4
Oregon	87	178	124	4.8	9.4	5.7
Texas	113	0	0	1.0	0.0	0.0
Vermont	74	5	1	14.6	0.9	0.1
Virginia	269	0	5	5.3	0.0	0.1
Washington	192	356	105	3.8	6.6	1.8
Wisconsin	194	205	120	3.7	3.7	2.1
Wyoming	72	74	78	20.6	21.9	22.9
Total	$6,812	$5,339	$3,130	2.9%	2.1%	1.2%
D.C.	-219	-199	-189	-8.2	-7.1	-6.4

TABLE A-5
STABILIZATION FUNDS AS A PERCENT OF EXPENDITURES, 1988 TO 1990
($ in millions)

	Stabilization Fund Balances			*As a Percent of Expenditures*		
State	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*
States with Annual Budgets						
Alabama	$21	$13	$21	0.8%	0.4%	0.7%
Alaska	0	0	0	0.0	0.0	0.0
Arizona	0	0	0	0.0	0.0	0.0
California	4	42	1,100	0.0	0.1	2.8
Colorado	0	0	0	0.0	0.0	0.0
Connecticut	320	130	131	6.4	2.3	2.1
Delaware	53	56	61	4.9	4.9	5.0
Georgia	177	190	222	3.0	3.0	3.0
Idaho	0	0	0	0.0	0.0	0.0
Illinois	0	0	0	0.0	0.0	0.0
Iowa	0	0	0	0.0	0.0	0.0
Kansas	0	0	0	0.0	0.0	0.0
Louisiana	0	0	0	0.0	0.0	0.0
Maryland	65	82	99	1.3	1.5	1.6
Massachusetts	112	0	0	1.5	0.0	0.0
Michigan	381	417	424	5.7	6.1	6.1
Mississippi	20	20	20	1.2	1.1	1.0
Missouri	0	0	0	0.0	0.0	0.0
New Jersey	246	246	0	2.4	2.1	0.0
New Mexico	155	171	209	9.8	10.4	12.4
New York	0	0	0	0.0	0.0	0.0
Oklahoma	78	154	154	3.4	6.1	5.9
Pennsylvania	80	112	145	0.8	1.0	1.2
Rhode Island	28	37	40	2.2	2.6	2.7
South Carolina	86	81	88	3.1	2.6	2.7
South Dakota	0	3	3	0.0	0.7	0.7
Tennessee	75	100	125	2.4	2.9	3.4
Utah	43	43	43	3.1	2.9	2.9
West Virginia	0	0	0	0.0	0.0	0.0
States with Biennial Budgets						
Arkansas	$0	$0	$0	0.0%	0.0%	0.0%
Florida	110	140	150	1.3	1.5	1.5
Hawaii	0	0	0	0.0	0.0	0.0
Indiana	220	255	286	5.8	6.0	6.4
Kentucky	0	2	2	0.0	0.1	0.1
Maine	25	25	25	2.0	1.8	1.6
Minnesota	265	550	550	4.6	8.6	7.8
Montana	0	0	0	0.0	0.0	0.0
Nebraska	18	50	40	2.0	5.0	3.7
Nevada	40	40	40	6.8	5.3	5.3
New Hampshire	27	27	27	4.9	4.6	4.5
North Carolina	0	0	0	0.0	0.0	0.0
North Dakota	0	0	0	0.0	0.0	0.0
Ohio	284	348	374	2.9	3.2	3.3
Oregon	0	0	0	0.0	0.0	0.0
Texas	0	287	487	0.0	2.2	3.7
Vermont	8	10	10	1.6	1.7	1.7
Virginia	0	0	78	0.0	0.0	1.3
Washington	0	0	0	0.0	0.0	0.0
Wisconsin	0	0	0	0.0	0.0	0.0
Wyoming	55	9	9	15.8	2.7	2.7
Total	$2,996	$3,642	$4,963	1.3%	1.4%	1.8%
D.C.	0	0	0	0.0	0.0	0.0

Table A-6

COMBINED ENDING BALANCES AND STABILIZATION FUNDS AS A PERCENT OF EXPENDITURES, 1988 to 1990

($ in millions)

	Total Balances			*As a Percent of Expenditures*		
State	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*
States with Annual Budgets						
Alabama	$176	$21	$21	6.3%	0.7%	0.7%
Alaska	224	-152	77	9.9	-6.6	3.3
Arizona	6	5	14	0.2	0.2	0.4
California	175	254	1,121	0.5	0.7	2.9
Colorado	100	102	95	4.7	4.4	3.9
Connecticut	204	130	131	4.1	2.3	2.1
Delaware	158	155	121	14.5	13.6	9.9
Georgia	326	281	222	5.5	4.4	3.0
Idaho	17	37	5	2.6	5.3	0.6
Illinois	246	251	251	2.1	2.1	2.0
Iowa	62	47	72	2.6	1.8	2.7
Kansas	302	327	191	16.0	15.1	8.1
Louisiana	-512	276	282	-13.3	6.8	7.1
Maryland	474	443	128	9.7	8.1	2.1
Massachusetts	153	1	29	2.0	0.0	0.3
Michigan	399	437	448	6.0	6.4	6.4
Mississippi	109	81	21	6.6	4.5	1.1
Missouri	94	69	60	2.7	1.8	1.5
New Jersey	1,020	548	248	9.9	4.7	2.1
New Mexico	156	171	210	9.8	10.4	12.4
New York	53	0	0	0.2	0.0	0.0
Oklahoma	194	325	348	8.5	12.8	13.2
Pennsylvania	175	387	148	1.7	3.5	1.3
Rhode Island	143	68	41	11.4	4.8	2.8
South Carolina	214	157	169	7.6	5.0	5.2
South Dakota	41	35	6	10.5	8.4	1.3
Tennessee	141	122	126	4.5	3.5	3.4
Utah	130	43	62	9.3	2.9	4.1
West Virginia	35	33	35	2.5	2.2	2.0
States with Biennial Budgets						
Arkansas	$0	$0	$0	0.0%	0.0%	0.0%
Florida	345	222	150	4.0	2.3	1.5
Hawaii	470	483	175	24.0	21.2	6.7
Indiana	463	463	467	12.1	10.9	10.4
Kentucky	31	22	18	1.0	0.6	0.5
Maine	166	125	72	13.2	8.8	4.7
Minnesota	850	830	658	14.8	12.9	9.3
Montana	39	32	47	10.6	8.3	11.6
Nebraska	195	224	181	21.9	22.2	17.1
Nevada	105	47	50	18.0	6.3	6.6
New Hampshire	40	27	27	7.3	4.6	4.5
North Carolina	393	180	0	6.8	2.8	0.0
North Dakota	49	15	16	9.7	2.9	2.9
Ohio	581	532	536	5.8	5.0	4.7
Oregon	87	178	124	4.8	9.4	5.7
Texas	113	287	487	1.0	2.2	3.7
Vermont	82	16	11	16.2	2.6	1.8
Virginia	269	0	82	5.3	0.0	1.4
Washington	192	356	105	3.8	6.6	1.8
Wisconsin	194	205	120	3.7	3.7	2.1
Wyoming	128	84	87	36.3	24.7	25.6
Total	$9,809	$8,981	$8,093	4.2%	3.5%	3.0%
D.C.	-219	-199	-189	-8.2	-7.1	-6.4

Table A-7

NOMINAL PERCENTAGE EXPENDITURE CHANGE

State	*Fiscal 1989*	*Fiscal 1990*
States With Annual Budgets		
Alabama	12.8%	-1.2%
Alaska	2.4	-0.1
Arizona	11.5	11.4
California	8.9	8.7
Colorado	8.2	4.5
Connecticut	12.3	13.0
Delaware	3.9	8.0
Georgia	7.5	17.1
Idaho	7.0	9.8
Illinois	3.2	3.7
Iowa	8.5	3.2
Kansas	15.2	8.8
Louisiana	4.5	-2.0
Maryland	11.4	11.4
Massachusetts	8.7	7.8
Michigan	2.0	2.5
Mississippi	9.8	5.0
Missouri	9.7	6.4
New Jersey	12.0	1.8
New Mexico	3.7	2.9
New York	4.4	4.4
Oklahoma	10.9	3.9
Pennsylvania	4.4	6.7
Rhode Island	12.8	6.0
South Carolina	12.1	3.9
South Dakota	6.4	6.7
Tennessee	12.0	5.8
Utah	6.9	0.1
West Virginia	4.3	20.8
States with Biennial Budgets		
Arkansas	4.3%	6.9%
Florida	10.8	6.4
Hawaii	16.2	15.1
Indiana	11.0	5.9
Kentucky	3.2	5.2
Maine	13.1	9.2
Minnesota	11.5	10.3
Montana	4.2	4.6
Nebraska	13.2	5.6
Nevada	27.9	0.9
New Hampshire	5.6	3.1
North Carolina	10.8	7.4
North Dakota	2.8	5.0
Ohio	7.6	6.5
Oregon	4.1	14.2
Texas	9.0	1.8
Vermont	19.3	-1.9
Virginia	13.4	5.1
Washington	7.6	11.3
Wisconsin	4.4	5.3
Wyoming	-3.5	0.0
Total	8.0%	6.4%
D.C.	4.9	6.1

Table A-8
FISCAL 1989 TAX COLLECTIONS COMPARED TO PROJECTIONS USED IN FORMULATING BUDGET
($ in millions)

	Personal Income Tax		*Sales Tax*		*Total Revenue Collection*
State /Region	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	
New England					
Connecticut	$410*	$410	$2,289	$2,198	L
Maine	443	518	484	503	H
Massachusetts	4,472	4,300	2,302	2,185	L
New Hampshire	N/A	N/A	N/A	N/A	L
Rhode Island	427	423	412	405	H
Vermont	190	191	125	136	T
Mideast					
Delaware	$465	$465	N/A	N/A	H
D.C.	589	609	426	419	L
Maryland	2,520	2,620	1,501	1,517	H
New Jersey	2,910	2,840	3,320	3,240	L
New York	15,132	13,765	5,675	5,510	L
Pennsylvania	3,072	3,105	4,132	4,132	H
Great Lakes					
Illinois	$3,524	$3,543	$3,605	$3,666	H
Indiana	1,851	1,879	1,212	1,220	H
Michigan	3,223	3,289	2,600	2,600	H
Ohio	3,042	3,220	3,128	3,214	H
Wisconsin	2,483	2,447	1,790	1,850	H
Plains					
Iowa	$1,262	$1,293	$677	$703	H
Kansas	776	840	686	705	H
Minnesota	2,371	2,419	1,648	1,757	H
Missouri	1,717	1,818	1,179	1,181	T
Nebraska	430	430	400	412	H
North Dakota	90	90	266	238	L
South Dakota	N/A	N/A	207	218	H
Southeast					
Alabama	$998	$995	$776	$779	L
Arkansas	633	632	666	679	T
Florida	N/A	N/A	7,751	7,716	H
Georgia	2,650	2,628	1,924	2,015*	T
Kentucky	1,060	1,060	1,041	1,041	T
Louisiana	576	626	1,421	1,432	H
Mississippi	359	371	757	774	H
North Carolina	2,947	2,950	1,669	1,714	T
South Carolina	1,164	1,233	1,065	1,075	H
Tennessee	77	85	2,263	2,247	L
Virginia	2,953	3,043	1,298	1,271	H
West Virginia	440	440	350	381	L
Southwest					
Arizona	$944	$913	$1,333	$1,324	T
New Mexico	292	326	586	610	H
Oklahoma	839	908	760	773	T
Texas	N/A	N/A	6,700	6,900	H
Rocky Mountain					
Colorado	$1,215	$1,277	$675	$686	H
Idaho	296	305	265	285	H
Utah	582	581*	605	662	H
Wyoming	N/A	N/A	212	211	L
Far West					
California	$14,615	$14,715	$12,571	$12,520	T
Montana	-----	-----	N/A	N/A	--
Nevada	N/A	N/A	216	242	H
Oregon	1,574	1,594	N/A	N/A	T
Washington	N/A	N/A	2,401	2,656	H
Alaska	N/A	N/A	N/A	N/A	L
Hawaii	579	696	970	1,013	H

NOTES TO TABLE A-8

Connecticut taxes only capital gains, interest and dividends under personal income taxes.

Georgia sales tax collections reflect a tax increase during fiscal year 1989.

Utah income tax projections incorporate a $72 million tax reduction.

H	Revenues higher than estimates
L	Revenues lower than estimates
T	Revenues on target

Table A-9
PROPOSED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Eff. Date*	*Fiscal 1990 Revenue Change ($ in millions)*
PERSONAL INCOME TAX			
Arkansas	7% flat rate on incomes above $100,000.	1/89	$7.6
	Various tax relief measures.	1/89	(44.5)
Connecticut	Repeal 60% long-term exclusion and include under Dividend and Interest Tax.	2/9/89	214.0
Delaware	Increase zero bracket and decrease top rate.	1/90	(16.6)
Hawaii	Base reduction	1/89	(51.0)
Idaho	Repeal 3% investment tax credit.	1/89	5.0
Kansas	Change in tax base.	1/89	(78.9)
Louisiana	Increase rates and change credits and deductions.	7/89	183.0
Maryland	Tax reduction	1/89	(32.2)
Massachusetts	Increase capital gains tax rate.	1/89	265.0
Nebraska	Base reduction.	1/89	(23.5)
New Jersey	Increased withholding rate. (One time increase.)	3/89	45.0
North Dakota	Revise tax structure.	1/89	34.9
Ohio	Increase rate by 1% (subject to voter approval).	1/89	757.0
South Carolina	Reduction in rates and base changes.	1/90	0.0
	Reduction in capital gains taxes.	1/90	0.0
Vermont	Tax cut.	1/89	(18.1)
Virginia	Sliding scale credit.	1/89	(100.1)
Washington	Introduce tax at 3.9%.	1/90	441.0
Wisconsin	Introduce new credits.	1/89	(4.0)
SALES TAX			
Alaska	Introduce 1% sales tax.	7/89	$53.0
Arkansas	Change rate and introduce credits for low-income families.	7/89	203.0
	Sales tax on some services.	7/89	9.4
	Not extend 2% discount on additional 1% sales and use tax.	7/89	3.0
	Annual $10,000 discount cap for 2% sales tax discount.	7/89	3.4
Connecticut	Include public utilities and additional services.	4/89	404.0
Georgia	One cent rate increase.	4/89	687.0
Louisiana	Reinstate some exemptions.	7/89	(192.0)
Massachusetts	Include purchases by utilities and tax interstate phone service.	3/89	80.0
New York	Add cable TV, participant sports; add mail order sales; other small changes.	6/89	72.0
North Carolina	Increase rate to 4%.	6/89	452.0
	Reduce rate on food and drugs to 1%.	7/89	(146.0)

Table A-9 (continued)
PROPOSED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Eff. Date*	*Fiscal 1990 Revenue Change ($ in millions)*
North Dakota	Increase to 6%, add 1% to restaurant meals and lodging, reduce certain exemptions, and reduce rate on equipment to 4%.	7/89	$22.6
Rhode Island	Add cigarettes to base.	passage	9.5
	Add admissions to base.	passage	3.0
	Add interstate calls to base.	4/89	7.5
Tennessee	Close loop hole on auto sales.	6/89	15.0
Washington	Reduce rate to 3.9%.	1/90	(422.0)
West Virginia	Eliminate exemptions for food and building materials purchased by contractors.	3/89	159.0
Wisconsin	Advertising supplements exemption.	10/89	(3.0)
BUSINESS TAXES			
Arizona	Eliminate certain exclusions and credits.	7/89	$10.0
Arkansas	7% flat rate on income above $50,000.	1/89	15.7
Connecticut	10% surcharge and $250 minimum tax.	1/89	70.0
Delaware	Change allocation rules to apportionment.	1/90	1.0
D.C.	Tax on telecommunications companies.	1/89	21.2
Idaho	Repeal 3% investment tax credit.	1/89	7.0
Louisiana	Lower top rate and phase-in disallowance of federal income tax deductability.	7/89	(10.0)
New York	Raise fee on S corporations; disallow loss carrybacks.	1/89	52.0
Ohio	Increase rate by 1% (subject to voter approval).	1/89	78.0
Oregon	Repeal 2% Kicker law.	passage	40.5
Rhode Island	Increase rate from 8% to 8.5%	7/89	4.1
	Allocation of income.	passage	3.5
West Virginia	Increase Business Franchise Tax rate from .55% to .75%.	3/89	30.0
	Expanded Business and Occupation Tax includes storage of natural gas and kilowatt hours produced by electric utilities.	3/89	60.0
CIGARETTE TAXES			
Arizona	Increase of 10 cents/pack.	7/89	$30.0
Arkansas	Increase of 3.5 cents/pack.	7/89	9.8
Hawaii	Transfer to counties.	7/89	(21.0)
Illinois	Increase of 18 cents/pack.	7/89	180.0
Louisiana	Increase of 6 cents/pack.	7/89	25.0
Massachusetts	Increase of 4 cents/pack.	3/89	20.0
Missouri	Add other tobacco products to tax base.	7/89	55.0
Nevada	Increase of 15 cents/pack.	7/89	38.1
New York	Increase of 7 cents/pack.	6/89	95.0
	Tax other tobacco products.	7/89	13.0
Ohio	Increase of 10 cents/pack.	7/89	90.1
Wyoming	Increase rate.	7/89	2.0

Table A-9 (continued)
PROPOSED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Eff. Date*	*Fiscal 1990 Revenue Change ($ in millions)*
MOTOR FUEL TAXES			
Alaska	Increase rate by 8 cents.	7/89	$37.0
Connecticut	Accelerate 2 cent increase to 7/1/89 and add additional 1 cent.	7/89	48.7
Delaware	Increase of 2 cents/gallon.	10/89	8.0
Louisiana	Increase of 4 cents/gallon.	7/89	93.0
Massachusetts	Increase of 6 cents/gallon and	7/89	
	Increase of 2 cents/gallon.	1/90	193.0
North Dakota	Increase of 3 cents/gallon.	7/89	9.8
Rhode Island	Increase of 3 cents/gallon.	7/89	13.8
Tennessee	Increase of 3 cents/gallon.	3/89	74.3
Washington	Increase of 3 cents/gallon and index to inflation as of 7/1/90.	7/89	75.0
West Virginia	Increase of 5 cents/gallon.	4/89	42.0
Wisconsin	Maintain index formula.	4/89	3.9
ALCOHOLIC BEVERAGES			
Arizona	Increase malt liquor tax.	7/89	$10.0
Arkansas	Increase permit fee.	7/89	2.3
Delaware	Increase 100% per gallon for beer, wine, spirits.	1/90	2.6
Hawaii	Transfer to counties.	7/89	(38.0)
Louisiana	Double rate on wine.	7/89	5.0
Massachusetts	50% rate increase.	3/89	32.0
New York	Various rate increases.	6/89	45.0
Ohio	Equalization of rates.	7/89	31.0
Rhode Island	Rate schedule increases 50%.	7/89	4.0
Wyoming	Rate increase.	7/89	0.225
MISCELLANEOUS TAXES			
Alaska	Modify laws under economic limit factor.	1/89	$139.0
Arizona	Initiate minimum school property tax.	7/89	125.0
	Increase state property tax.	7/89	58.0
	Increase mining tax.	7/89	22.0
Arkansas	Professional Occupation Fee.	7/89	4.7
	Severance Tax - tax new gas.	7/89	3.9
Louisiana	Increase motor vehicle license; index natural gas severance to prices; 1 mill statewide property tax.	7/89	29.0
Minnesota	Change tax basis for charitable gambling from 10% of net proceeds to 6% of gross proceeds.	7/89	40.0
Nevada	Insurance premium tax of 0.5%.	7/89	7.3
	Mining tax (subject to voter approval).	7/89	52.0

Table A-9 (continued)
PROPOSED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Eff. Date*	*Fiscal 1990 Revenue Change ($ in millions)*
New Jersey	Change to quarterly payment dates for Insurance Premium Tax. (One time increase.)	1/89	$77.0
New York	Impose real estate gains tax on million dollar residences; extend transfer tax.	4/89	142.0
North Carolina	Reinstate part of merchants' discount for sales taxes.	9/89	(12.2)
North Dakota	Increase insurance premium tax.	1/89	3.7
	Change in gaming tax base.	7/89	2.1
	Increase motor carrier fees.	7/89	1.4
Pennsylvania	The single excise tax on banks has been ruled unconstitutional and a replacement tax may be recommended.		
Rhode Island	Postpone rate reduction for public utilities gross earnings.	passage	4.3
	Rate change for pari-mutuel betting.	7/89	1.6
South Carolina	Elimination of auto insurance premium tax.	7/90	0.0
Tennessee	Close loop hole in franchise tax.	6/89	4.0
Utah	Specific tax for reduction has not been identified.	7/89	(19.0)
Washington	Increase exemptions from gross receipts tax.	1/90	(24.0)
Wisconsin	Telecommunications tax reduction.	1/90	(6.0)
West Virginia	Increase severance tax rate for "new" wells.	3/89	35.0

Table A-10
PROPOSED STATE EMPLOYMENT COMPENSATION CHANGES
FISCAL 1990

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
New England				
Connecticut	4.5%	—	2.6%	ATB represents 57% of classified employees who have collective bargaining agreements in place for 1988-89. Other increases are anniversary increases for good performance up to amaximum step.
Maine	—	2.0	—	Portion of workforce will receive increase of approximately5%; Increase for FY90 currently incollective bargaining.
Massachusetts	—	—	—	Proposing no increases.
New Hampshire	*	—	—	Under Negotiation.
Rhode Island	4.0	—	—	Effective 11/1/89.
Vermont	5.5	—	—	Time in steps reduced in some pay grades.
Mideast				
Delaware	3.5%		2.2%	Employees whose salary is below midpoint of assigned paygrade will receive up to 3% of the midpoint on 1/1/90. Will affect about 70% of workforce.
D.C.	5.0	1.0	—	Merit is available to all as step or longevity increase. ATB increase is 3% on 10/1/89 and up to another 2% on 4/1/90 depending upon consumer price index.
Maryland	4.0	—	1.0	Other is executive pay plan and selected salary adjustments for various position classifications.
New Jersey	—	—	—	Contracts expire 6/30/89 and are under negotiation.
New York	5.0	1.0	1.0	Not all employees receive step increase.
Pennsylvania	5.0	—	0.625	Other is 1.25% longevity increase that takes effect 1/1/90.
Great Lakes				
Illinois	3.5%	4.0%	3.0%	Steps funded, AFSCME average step increase of 3.6%.
Indiana	*	—	—	$54 million recommended to include health insurance increases.
Michigan	*	—	—	For 10 bargaining units and non-represented employees the increase is 3.5% to 4%.
Ohio	4.0	—	—	Employees not in the last step of pay range receive step increase of approximately 5%.
Wisconsin	—	—	—	Not yet determined.
Plains				
Iowa	3.5%	1.5%	—	
Kansas	4.0	—	1.8	Other is average skill level step movement.
Minnesota	*	—	—	5% total set aside. Negotiations will determine amounts for ATB and increased insurance costs.
Missouri	3.0	—	4.0	Other includes step increase for most classes. ATB includes 2% COLA (7/1/89) and 2% anniversary increase (1/1/90)

Table A-10 (continued)
PROPOSED STATE EMPLOYMENT COMPENSATION CHANGES
FISCAL 1990

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
Nebraska	4.0%	1.0%	1.5%	4% effective 7/1/89 and 1.5% on anniversary date if satisfactory performance or 2.5% if above satisfactory.
North Dakota	—	—	5.0	Employees below certain salary level would receive minimum 5% increase. Other increases based on merit.
South Dakota	3.0	1.0	1.0	2% absorbed by base budgets; 3% new money.
Southeast				
Alabama	—	5.0%	—	Available to employees who have merit step and who rate high enough on employee evaluation.
Arkansas	7.0	2.5	—	All employees should receive anniversary increase if merit evaluation is completed.
Florida	*	—	—	No ATB pay package proposed for FY90. Law Enforcement, Correctional Officers, and Probation Officers are targeted for continuation of FY89 increase of 5-8% and health care workers targeted for average increase of 5%.
Georgia	2.5	4.2	—	Appx. 70% of employees in classified employment will qualify for merit; ATB portion has $450 minimum.
Kentucky	5.0	—	—	
Louisiana	—	2.0	—	
Mississippi	—	—	—	No increases proposed for FY90.
North Carolina	4.0	2.0	—	Applies to employees subject to State Personnel Act; teachers, university, and community college faculty to receive 6% increase financed by sales tax increase.
South Carolina	2.0	2.0	—	ATB recommended effective 7/89; merit at half-year, making total payout 3%.
Tennessee	—	—	4.0	Salary plan has not been detailed.
Virginia	2.5	2.0	—	Merit % = 4.56 for 60% of employees.
West Virginia	5.0	—	—	Effective 1/1/90 and financed from government re-organization cost savings.
Southwest				
Arizona	1.0%	2.75%	0.25%	
New Mexico	3.5	—	—	
Oklahoma	2.5	0.5	—	Merit increase of 2.5% affects 20% of workforce.
Texas	*	—	—	Not available.
Rocky Mountain				
Colorado	5.0	1.5	—	Merit increase is 5% but net increase is 1.5% on average for classified only.
Idaho	—	5.0	—	College and university faculty receive additional 1% increase.
Utah	2.0	2.5	—	
Wyoming	5.2	—	—	Legislature has reduced to 3%.

Table A-10 (continued)
PROPOSED STATE EMPLOYMENT COMPENSATION CHANGES
FISCAL 1990

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
Far West				
California	4.0%	*	1.0%	Increases effective 1/1/90; 4% salary increase, 1% equity adjustment. Also, increased funding for health, dental and vision premiums. Merit adjustments absorbed by employing agency.
Nevada	5.0	2.5	—	Total will vary from 5-10% depending on merit increase.
Oregon	3.0	—	1.0	
Washington	3.0	—	—	Effective 1/1/90.
Alaska	—	*	*	Majority of workforce receives merit and longevity increases of approximately 3.75%.
Hawaii	—	—	—	Still being negotiated.

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FISCAL SURVEY

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STATES

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Fiscal Survey of the States

September 1989

By

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Preface

The Fiscal Survey of the States is published annually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1977. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. While not the totality of state spending, these funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of the states. A separate survey that includes total state spending also is conducted annually.

The field survey on which this report is based was conducted by the National Association of State Budget Officers in July, August, and September 1989. The surveys were completed by Governors' state budget officers in the fifty states.

Fiscal 1988 data represent actual figures, fiscal 1989 figures are preliminary actual data, and fiscal 1990 data are figures contained in adopted state budgets. In forty-six states, fiscal 1990 will close on June 30, 1990. New York's fiscal year will end March 31, 1990. Texas' fiscal year will end on August 31, 1990, and Michigan and Alabama will close their fiscal years on September 30, 1990.

The Fiscal Survey of the States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. Marcia Howard compiled data for the report and prepared the text. Laura Shaw produced the report, and Gerald Miller provided technical support. Karen Glass of the National Governors' Association edited the report.

Executive Summary

The two themes that emerged in the March 1989 *Fiscal Survey* — strong revenues in fiscal 1989 and emerging signs of fiscal stress in the Northeast — are continued in this survey. As a whole, ending balances in 1989 were higher than in 1988 and at their second highest level, as a percent of expenditures, in the decade. At the same time, many of the states in the Northeast report declining ending balances in 1989 and revenues below estimates.

States ended 1989 with balances totaling $11.9 billion, or 4.6 percent of expenditures. For 1990 these balances are slated to decline to $9.6 billion, signaling expenditures that exceed current revenues. Failure to maintain comfortable reserves can place states at risk should there be a downturn in the national economy.

Even though states will dip into their reserves in 1990, their spending growth will decline from 8.9 percent in 1989 to 7.7 percent in 1990. There is wide variation in spending growth rates, with nineteen states increasing spending by 10 percent or more and thirteen states increasing spending by less than 5 percent.

This survey is conducted as a follow-up to the March survey and contrasts Governors' proposed budgets with those enacted by state legislatures. The contrast is well-evidenced in 1990. While Governors' proposed expenditures of $271.5 billion, enacted budgets total $276.8 billion, an increase of $5.3 billion. On the tax side, there were thirty-two states with proposed tax changes in 1990 and thirty-eight states where tax changes were enacted.

Tax increases for 1990 total over $4.6 billion, with Illinois accounting for over 22 percent of the total. Eight states in the Northeast — Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont — have enacted revenue-raising measures that account for nearly 50 percent of the total revenue to be raised.

Major findings of this survey include:

- Real state spending increased by 3.9 percent in 1989, the highest rate of growth since 1985.
- Thirty states and the District of Columbia raised revenues by $4.6 billion for 1990. The largest increase, $1.1 billion, came in the sales tax.
- Forty states reported that 1989 revenues came in equal to or ahead of original estimates. Ten states in addition to the District of Columbia reported revenues below estimates.
- Twenty-eight states enacted new programs to aid local governments.
- The size of state workforces increased less than 2.0 percent between 1988 and 1989.
- Fifteen states and the District of Columbia increased motor fuel taxes and thirteen increased cigarette taxes.
- Twenty-nine states and the District of Columbia approved cost-of-living increases for AFDC recipients.

I. State Expenditure Developments

Overview

Enacted 1990 budgets total $276.8 billion, a 7.7 percent increase over 1989 spending and a $5.3 billion increase over spending levels contained in Governors' proposed 1990 budgets. These increases come on the heels of 1989 spending of $257.0 billion, an increase of 8.9 percent over 1988 expenditures.

In large part, spending levels in 1989 and 1990 reflect stronger-than-anticipated revenue streams that states have realized as a result of the national economy. In most states, expected slowdowns have not occurred and, consequently, states have unanticipated revenue.

Table 1
STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, 1979-1990

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
1990	7.7% (est.)	2.4% (est.)
1989	8.9 (est.)	3.9 (est.)
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-90 average	8.3	1.9

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes.

At the same time, however, spending pressures have continued to build as a result of both state and federal actions. For some states, programs were implemented during the rapid economic expansion of the mid-1980s and have only recently required full funding. Especially in the Northeast, where economic growth seems to have slowed, this expenditure pressure has placed significant stress on state budgets.

The implementation of federal legislative mandates in the areas of nursing home care, catastrophic care, and welfare also increased state expenditures. Some of these mandates were funded for the first time in 1989 and came as a surprise to many states. Midyear increases in appropriations were made, and 1989 expenditures ended up 8.9 percent higher than 1988 expenditures. In the March survey, 1989 expenditures were forecast to increase by 8.0 percent.

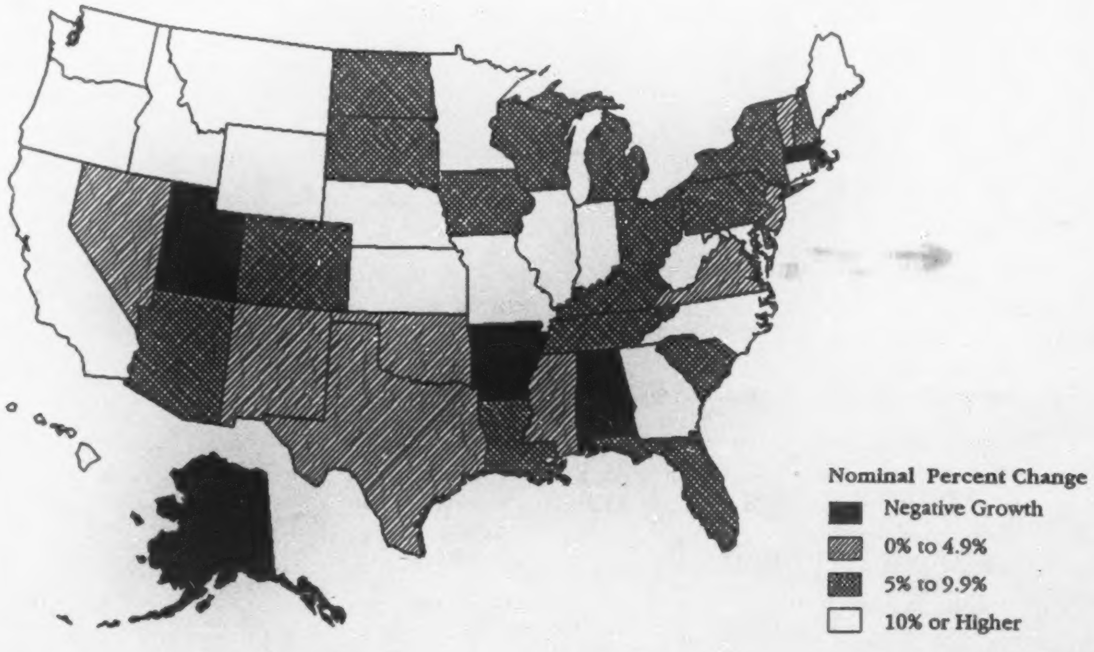
Taken together, these three factors — stronger-than-anticipated revenues, new and expanded state programs, and federal mandates — resulted in 1989 spending increases of 10 percent or more in almost half of the states. Whereas sixteen states reported in the last survey that 1989 spending would increase less than 5 percent, only eight states now report spending growth in that category.

Table 2
ANNUAL STATE GENERAL FUND EXPENDITURE INCREASES

	Number of States		
Spending Growth (percentage)	*Fiscal 1988 (Estimated)*	*Fiscal 1989 (Preliminary Actual)*	*Fiscal 1990 (Appropriated)*
Less than 0	6	0	5
0.0-4.9	10	8	8
5.0-9.9	23	19	18
10 or more	11	23	19
Average Growth Rate	7.0%	8.9%	7.7%

For 1990, enacted budgets reflect the underlying condition of state economies. Only nine Governors recommended budgets that contained growth of 10 percent or more; nineteen states enacted budgets containing growth of 10 percent or more. While the average growth rate of recommended 1990 budgets was 6.4 percent, the average growth in

Figure 1
NOMINAL EXPENDITURE GROWTH IN FISCAL 1990 STATE BUDGETS



enacted 1990 budgets is 7.7 percent. Further detail on state expenditures is contained in Appendix Tables A-1, A-2, A-3, and A-5.

Biennial Budgets

Twenty-one states budget on a biennial rather than annual basis. As a result, biennial states often exhibit large year-to-year swings in expenditures that would be evened out if comparisons were made on a biennium-to-biennium basis. While most of these states appropriate annually, some do not. It is difficult to estimate annual expenditures if there is no annual appropriation. Oregon, for example, does so by calculating a fixed percentage of biennial appropriations.

In all but three of the biennial states (Kentucky, Virginia, and Wyoming), 1989 was the final year of the biennium. These three states are just beginning to work on their next biennial budget, while the other eighteen states will use this year to make necessary adjustments to the enacted biennial budget.

Budget Management

Revenue and expenditure estimates are never exactly correct and can sometimes be off by significant amounts. If revised estimates reflect a weakened fiscal position, states must address this problem by making midyear adjustments. Generally, states will cut expenditures or take other actions to balance enacted budgets since it can be very difficult to raise taxes at midyear, especially if doing so requires legislation and the legislature is not in session. In 1989 a total of fourteen states and the District of Columbia took some action to manage budget problems.

Twelve states and the District of Columbia cut enacted budgets by a total of $ 923 million. All of these states realized prior to midway through the fiscal year that cuts would be necessary. Thus, the latest cut was made in March 1989. This contrasts sharply with 1988, when California and New York had to make large budget cuts at year-end.

For the most part, the bad news that came in 1989 came early and, once dealt with, allowed states to focus on addressing 1990 budgets. Table 3 outlines the cuts that were implemented in 1989. It reveals the extent to which the Northeast has had to address budget imbalances. Seventy-six percent of the total cuts were made by states in this region, and most of those were in Massachusetts and New York.

Some of the other states that cut enacted budgets are not new to this list. A lingering drought in the northern Plains has continued to put stress on North Dakota's budget, and West Virginia has grappled with budget imbalances for several years. Both of these states also appear on the list of states that increased taxes. Louisiana has had budget difficulties for the last few years but has been unable to pass any tax increases.

In addition to cutting enacted budgets, six states faced with fiscal crises responded to them by borrowing from internal state funds or the bond market, or by delaying payments. These include:

Arizona: The original budget included the delay of $80 million in school aid payments.

Louisiana: Created a Recovery District, which sold and transferred to the general fund $774 million in bonds.

New York: The rainy day fund balance was used, and $460 was borrowed from non-general fund accounts. The former must be repaid within six years. An additional $646

Table 3
STATE BUDGET CUTS ADOPTED IN FISCAL 1989 AFTER APPROPRIATIONS BILL PASSED

State	*Amount (in mill.)*	*Cut as % of G.F. Expenditures*	*Action Taken By*	*Selective vs. Across the Board*	*Dates Enacted*	*Notes*
Arizona	$19.0	0.7%	Legislature	Selective	3/89	Exempted K-12 education and community colleges.
Connecticut	65.0	1.2	Governor	Selective	9/88	Included only agency operating budgets.
District of Columbia	79.0	2.8	Mayor	Selective	2/89	Exempted human services, police, fire, corrections, transit, schools, and rental assistance entitlements. Deferred purchases and hiring.
Hawaii	13.0	0.6	Governor	ATB	7/88	Exempted grants-in-aid to counties, welfare payments, debt service, unemployment insurance, workers' compensation.
Louisiana	13.0	0.3	Governor	Selective	7/88	Postponed merit increases.
Massachusetts	148.0	1.7	Governor	Selective	Various	Exempted corrections, Medicaid, AFDC, pensions.
Missouri	29.6	1.0	Governor	ATB	7/88	Exempted aid to public schools, Medicaid, AFDC, certain mental health programs, and half of higher education.
New Hampshire	4.0	1.0	Both	Selective	1/89 5/89	Exempted direct care and law enforcement programs.
New Jersey	30.0	0.2	Governor	Selective	12/89	Instituted hiring freeze.
New York	446.8	1.6	Both	Selective	6/88 11/88	Exempted patient, inmate, and client care; revenue-raising activities; criminal justice activities; various others.
North Dakota	21.1	4.0	Governor	ATB	8/88	No exemptions.
Rhode Island	4.0	0.3	Governor	Selective		Applied to agencies with deficits beyond authorized level.
West Virginia	50.0	3.4	Governor	ATB	1/89	Exempted debt service.

million was borrowed from the Infrastructure Trust Fund. Repayment of about half was forgiven when the transportation bond issue was passed. The state also used certain reserve funds of the State Insurance Fund and the Aggregate Trust Fund. A total of $360 million was drawn. State appropriations were enacted to ensure that if and when reserves were needed they would be available.

North Dakota: The state was authorized to borrow up to $40 million from internal state funds to meet cash flow needs, but the money had to be repaid by the end of the biennium. The full $40 million was borrowed at various times during fiscal 1989.

Texas: Sold Tax Revenue Anticipation notes of $450 million.

Wyoming: Transferred $104 million from the Budget Reserve Account and $23 million from the Legislative Impact Account to the general fund for the 1989-90 biennium.

Other Expenditure Issues

Aid to Families with Dependent Children. In 1990, twenty Governors' budgets recommended cost-of-living increases for AFDC recipients. Twenty-nine enacted state budgets and the District of Columbia's budget contain increases. These increases follow enacted 1989 increases in twenty-six states, eighteen of which had been proposed by Governors. Table 4 lists the states providing increases.

Table 4
COST-OF-LIVING INCREASES FOR AID TO FAMILIES WITH DEPENDENT CHILDREN--FISCAL 1990

State	*Approved 1990*	*State*	*Approved 1990*
Alabama	0.0%	Montana	0.0%
Alaska	4.1	Nebraska	0.0
Arizona	0.0	Nevada*	5.5
Arkansas	0.0	New Hampshire	2.0
California	4.6	New Jersey	0.0
Colorado	0.0	New Mexico	0.0
Connecticut*	4.1	New York	7.0
Delaware	*	North Carolina	0.0
Florida*	2.5	North Dakota	0.0
Georgia*	1.0	Ohio*	4.0
Hawaii	2.5	Oklahoma	1.0
Idaho	5.0	Oregon	3.0
Illinois	7.5	Pennsylvania	5.0
Indiana	0.0	Rhode Island	5.0
Iowa	4.0	South Carolina	0.0
Kansas	3.0	South Dakota	3.0
Kentucky	5.0	Tennessee	6.0
Louisiana	0.0	Texas	0.0
Maine*	3.0	Utah	3.0
Maryland	5.0	Vermont*	3.0
Massachusetts	*	Virginia	0.0
Michigan*	2.0	Washington	2.0
Minnesota	0.0	West Virginia	0.0
Mississippi	0.0	Wisconsin	0.0
Missouri	1.5	Wyoming	0.0
		District of Columbia	4.0

NOTES:	Connecticut	Automatic cost-of-living adjustments tied to Consumer Price Index-Urban Wage Earners.
	Delaware	Increase ranges from 7% for families of one, to 7.3% for families of two, and 0% for families of three or more. Payment remains at 43% of fiscal 1987 poverty level.
	Florida	Increase effective January 1990.
	Georgia	Also a 10% increase in standard of need.
	Maine	Also a 3% increase in standard of need.
	Massachusetts	Legislature proposed 4%; Governor conditionally vetoed pending new revenues.
	Michigan	Increase effective April 1990.
	Nevada	Increase applies to recipients in non-public housing. Public housing recipients receive increase of 1.5%.
	Ohio	Increase effective January 1990.
	Vermont	Increase rises to 4% in October 1989 and to 5% in January 1990.

Aid to Local Government. Twenty-eight states expanded the aid provided to local governments in their 1990 budgets. This compares with twenty states where increases were proposed in Governors' budgets. The aid packages include earmarked taxes, assumption of costs and, in Wisconsin, adding district attorneys to the state workforce. Table 5 lists the new local aid provisions contained in 1990 state budgets.

Table 5
NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT
FISCAL 1990

Alabama	Fiscal 1989 was the first year of a $35 million, five-year Water Pollution Control Authority.
California	Fiscal 1990 will be the first full year for trial court funding.
Delaware	State aid of $1 million to local law enforcement agencies.
Florida	Additional auditors for state sales and motor fuel taxes will generate additional revenue, some of which will be shared with local governments. Reduced exemptions to sales tax will increase amounts to be shared with local governments.
Hawaii	Eliminated the current grants-in-aid to counties program. The law will be restructured next year. Grants-in-aid to counties were increased from $39 million in fiscal 1989 to $72 million in fiscal 1990.
Illinois	Approximately 50 percent of net new temporary income taxes will be distributed to local governments.
Indiana	State lottery will aid local governments.
Kansas	Income tax rebate to schools: 20 percent in fiscal 1989, to 23 percent in fiscal 1990, and to 24 percent in fiscal 1991.
Louisiana	Funded $22 million of local portion of the unfunded accrued liability in the teachers' retirement system. Funded $7 million to aid local fire departments.
Maryland	Income tax grants to subdivisions to moderate their revenue losses resulting from the Targeted Tax Relief Act of 1989. Initiated "Literacy Works" adult literacy program. Targeted drug enforcement grants.
Massachusetts	Emergency reserve of $20 million funded by lottery.
Minnesota	Phased takeover of local court system recommended to begin in fiscal 1991. Special session in September 1989 to pass a revised omnibus tax bill, vetoed by Governor in May, which will contain short-and-long term reform provisions for both property tax and local aid systems beginning in fiscal 1991.
Missouri	State assumed juvenile court costs of $596,000 and local crime lab funding of $155,000.
Nebraska	Property tax relief of $98 million; teacher salary increases of $20 million; Municipal Infrastructure Redevelopment Act funded at $4.5 million.
Nevada	County governments provided with option to use Medicaid for certain eligible recipients. Increased property tax allowed.
New Mexico	Motor fuels tax increase of $0.02, with $0.0125 per gallon earmarked for municipalities.

Table 5 (continued)
NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT
FISCAL 1990

New York	Increase in school aid by $425 million; increased reimbursement for handicapped education programs; local pension savings provisions; increase in street and highway aid; Medicaid cost containment savings; continued state takeover of long-term care component of Medicaid; 15 percent increase in public assistance grant; sewage facility revolving loan fund; increased fines for traffic violations; targeted aid to New York City financed through additional taxes on real property transactions.
North Carolina	Provide fees and loans for solid waste management.
North Dakota	For biennium, 60 percent of one-cent sales tax will be distributed to political subdivisions. This is an increase of $11.5 million over the previous biennium.
Ohio	July 1, 1989 begins a four-year phase-in of a new Local Government Revenue Assistance Fund that consists of 0.3 percent of tax receipts from the total sales and use tax, personal income tax, corporate franchise tax, and public utilities excise tax. In addition, the existing local government fund will receive 4.6 percent of the receipts from the above tax sources.
Oklahoma	State has assumed funding for court bailiffs.
Rhode Island	Proceeds from increased real estate transfer tax will go to municipalities. Continued progress toward goal of funding 60 percent of education expenditures.
South Dakota	Dedicating 56.25 percent of sales tax to K-12 education. This increases state's contribution by $11.8 million.
Tennessee	One cent of state increase in gasoline tax will be distributed to cities and counties.
Utah	Reduce transfers out of transportation fund by $5 million; local government will receive 25 percent of reduced transfers, or $1.25 million. Complete $3.0 million state takeover of district courts.
Virginia	Distribution of state recordation tax to localities provides $40 million for five years. Local option 1 percent income tax for transportation (subject to referendum). Jail overcrowding initiative provides $16.6 million in local aid. Local law enforcement equipment grants provide $5.6 million. Uncompensated local and private health care provides $21.3 million.
Wisconsin	District attorneys and assistant district attorneys will become state employees on January 1, 1990. Shared revenue payments increase by 3.5 percent in fiscal 1990.
Wyoming	Increased amount of statewide sales and use tax directed to local government. Increased cigarette tax and portion goes to local government.

Employee Compensation Increases. Appendix Table A-8 lists employee compensation increases provided in adopted 1990 state budgets. The increases provided in most states attest to the fact that state budgets are in a period of relative surplus and provide a stark contrast to the early 1980s when employee compensation increases were very limited. Appendix Table A-9 lists the size of state workforces and their annual growth. Very low or negative growth prevails in the Northeast, suggesting that vacant positions are being left unfilled.

II. State Revenue Developments

Overview

Overall, state revenues grew by 8.3 percent in 1989. In 1990 they are forecast to grow by only 5.5 percent. This lower rate of growth reflects an assumption that national economic growth will slow. The lower growth rate is significant because it also reflects over $4.6 billion in new taxes that were approved for 1990 budgets. In the absence of tax increases, state revenues would be slated to grow only 3.8 percent.

The projected rate of revenue growth is less than the 7.7 percent growth in 1990 appropriated expenditures and signals that states will begin dipping into their reserve balances in order to balance 1990 budgets. The reduction in reserves during a period of relative economic stability is troubling because it raises the question of what states will do if and when the economy slows dramatically.

Revenue Collections for Fiscal 1989

To understand how strong state revenues were in 1989, consider that the March 1989 survey listed total state revenues of $253.4 billion for the year and that at year-end revenues were $4.3 billion higher. This increase came in just three to five months and attests to the positive effect the national economy had on state budgets.

In particular, several states reported unusually high revenues associated with annual income tax filings in April 1989. While no research has pinpointed the exact source of that increase, one theory is that people delayed taking income gains until January 1988, when marginal tax rates declined. These gains were then reflected in tax returns filed in April 1989.

While the March survey reported that thirty-eight states were realizing revenues equal to or greater than 1989 estimates, this survey reveals forty states in that category. Only ten states and the District of Columbia collected revenues below their original estimates. Revenue collections relative to estimates are listed for sales and personal income taxes in Appendix Table A-6.

Low tax collections are being felt primarily in the Northeast. Of the eleven states in the New England and Mideast regions, six report revenues below estimates for 1989. In contrast, all of the states in the Midwest, Plains, Southwest, and Far West regions report revenues equal to or higher than original estimates.

Of the eleven states (including the District of Columbia) reporting tax collections below estimates, all but New Hampshire and West Virginia report low sales tax collections. New Hampshire has no sales tax. Connecticut, Florida, Tennessee, and Wyoming account for four of the eleven and all rely heavily on sales taxes. On the other hand, Nevada, Texas, and Washington also rely heavily on sales taxes and each is reporting strong revenue growth.

Of the eighteen states that have tax or expenditure limitations currently in force, Oregon, Tennessee, and Texas were affected by them in 1989.

Fiscal 1990 Tax Changes

While twenty-seven states enacted revenue initiatives that raised roughly $800 million in new revenue in 1989, thirty-eight states made tax changes that will increase net revenues by $4.6 billion in fiscal 1990. Included are thirty that raised net taxes and eight that reduced them. Over 50 percent of new revenue comes from tax increases in three states: Connecticut, Illinois, and New York. A summary of the net impact of tax changes is listed in Table 6. Further detail as to specific changes is contained in Appendix Table A-7.

Major tax reform proposals that would have affected most tax sources were proposed in Arkansas, Louisiana, and Washington. None of those proposals were successful.

Personal Income Tax

While eighteen states made changes to their personal income taxes for 1990, only in nine do they represent net increases. Seven states decreased taxes and two tax changes were neutral. The largest increase came in Illinois, where the income tax rate was raised from 2.5 percent to 3.0 percent. This change will increase state revenues by $635 million in 1990. Large tax reductions were passed in Wisconsin, where property tax credits were introduced and in Virginia, where a $100 million tax reduction was increased to $169 million when the state extended pension exemptions in response to *Davis v. Michigan*.

This lawsuit involved a federal pension recipient living in Michigan, who charged that it was discriminatory for the state to exempt from state income taxes state and local pensions while taxing federal pensions. The U.S. Supreme Court agreed and, as a result, as many as twenty-three states will have to address discriminatory tax treatment of federal pensions in their state income tax laws.

Sales Tax

Connecticut, Georgia, Kansas, Missouri, and North Dakota increased their sales tax rates for fiscal 1990. They join fourteen other states where net increases were enacted, and four where reductions were passed. Most of the increases stem from expansion of the sales tax base through measures such as adding mail order sales to the base (Arizona), adding goods (Illinois), or adding services (Connecticut). The net effect of these changes will be to increase revenues by over $1.1 billion. Thus, the sales tax is the single largest source of net new tax revenue for 1990.

Business Tax

Twelve states have increased net taxes on corporations in 1990 and three have decreased them. The changes will bring in over $604 million in new revenue. The bulk of that revenue, $417 million, comes from Connecticut, Illinois, and New York. Minor reductions totaling $7.5 million were passed in Arkansas, Kansas, and Virginia.

Cigarette Taxes

"Sin taxes" were a popular revenue source for 1990 budgets. Net increases of over $362 million are expected as a result of thirteen cigarette tax increases and one decrease. Iowa allowed a temporary hike in the tax to expire. The largest increases were passed in Connecticut (14 cents per pack), Illinois (10 cents per pack), Nevada (15 cents per pack), and New York (12 cents per pack). New York also added other tobacco products to the tax base.

Motor Fuel Taxes

Fifteen states adopted motor fuel tax increases for 1990. The largest come from Illinois, North Carolina, and Ohio, which together account for over $544 million of the $847 million total increase.

Alcohol Taxes

Only five states resorted to this "sin tax" for added revenue in 1990. The increases were relatively small, totaling $191 million. New York alone accounts for 78 percent of the total.

Miscellaneous Taxes

Nineteen states enacted net tax increases and two enacted decreases to generate over $670 million in new revenue from other tax sources. Insurance premium taxes and real estate transfer taxes both appear more than once on the list, signaling interest in these revenue sources. Perhaps the most unusual change is New Jersey's use of the state portion of unemployment taxes for state purposes instead of transferring the funds into the Unemployment Insurance Trust Fund.

Table 6

SUMMARY OF FISCAL YEAR 1990 TAX CHANGES BY TYPE OF TAX AND AMOUNT OF INCREASE OR DECREASE

($ in millions)

State	*Personal Income*	*Sales*	*Corporate Income*	*Cigarette/ Tobacco*	*Motor Fuels*	*Alcohol*	*Others*	*Total*
Alabama								0.0
Alaska				5.2			171.0	176.2
Arizona	53.6	7.0					41.8	102.4
Arkansas		4.8	-1.0				1.4	5.2
California								0.0
Colorado					26.8			26.8
Connecticut	155.0	388.0	167.0	40.0		18.5	33.5	802.0
Delaware								0.0
Florida		5.2	1.5				68.4	75.1
Georgia		260.0						260.0
Hawaii	-163.0	-90.0						-253.0
Idaho								0.0
Illinois	635.0	16.0	117.0	92.0	176.0			1,036.0
Indiana								0.0
Iowa				-7.0				-7.0
Kansas	-69.1	41.6	-3.0		55.3			24.8
Kentucky								0.0
Louisiana		-105.0						-105.0
Maine	84.6	4.9		2.4				91.9
Maryland	-39.0	2.0					1.0	-36.0
Massachusetts	446.0		46.0				37.0	529.0
Michigan								0.0
Minnesota	0.0	3.3	2.8				21.1	27.2
Mississippi								0.0
Missouri	0.0	56.7	14.8					71.5
Montana	-1.4		6.2	0.9	4.2			10.0
Nebraska	-23.9				26.7			2.8
Nevada				17.0	3.5		31.8	52.3
New Hampshire				3.0			11.0	14.0
New Jersey		110.0					100.0	210.0
New Mexico					15.3			15.3
New York		51.0	143.0	184.0		149.0	63.0	590.0
North Carolina		149.0			187.6		26.5	363.1
North Dakota	20.9	41.1		1.5	4.5		5.2	73.2
Ohio	91.8	-2.1	11.6		181.0	1.1		283.4
Oklahoma								0.0
Oregon	13.4		4.3	1.4	9.2		9.7	38.0
Pennsylvania								0.0
Rhode Island		9.5	8.2	9.5	23.0	4.0	4.9	59.1
South Carolina	0.8							0.8
South Dakota								0.0
Tennessee		15.0			81.9		4.0	100.9
Texas								0.0
Utah							-19.0	-19.0
Vermont		4.5			9.5			14.0
Virginia	-169.4		-3.5					-172.9
Washington				11.7		18.1	27.9	57.7
West Virginia		159.0	90.0		42.0		35.0	326.0
Wisconsin	-200.1						-4.6	-204.7
Wyoming		-5.3		0.5				-4.8
Total	835.2	1,126.2	604.9	362.1	846.5	190.7	670.6	4,636.3
District of Columbia	7.3	50.9	4.3		4.0	1.0	37.0	104.5

III. Year-End Balances

The survey highlights total year-end balances, which represent the sum of ending balances and budget stabilization funds. While these two types of funds differ as to how resources are put into and taken out of them, they both serve as a hedge against economic uncertainty to provide operating funds when state budgets are in crisis.

Historically, ending balances were the sole repository of state budget surpluses. They peaked in 1980 when they equaled $11.8 billion and represented 9.0 percent of state expenditures. During the recession that followed, balances were rapidly depleted so that by 1983 they reached $2.3 billion and represented 1.5 percent of expenditures.

In response to that depletion several states developed budget stabilization funds into which some portion of surplus revenues were deposited. These funds, commonly referred to as "rainy day funds," were designed to ensure that surpluses were not simply appropriated in the next year but put away for fiscal crises. In 1990, thirty-one states plan to maintain a balance in a budget stabilization fund.

Table 7
SIZE OF GENERAL FUND, STABILIZATION FUND,
AND TOTAL YEAR-END BALANCES,
1978 to 1990

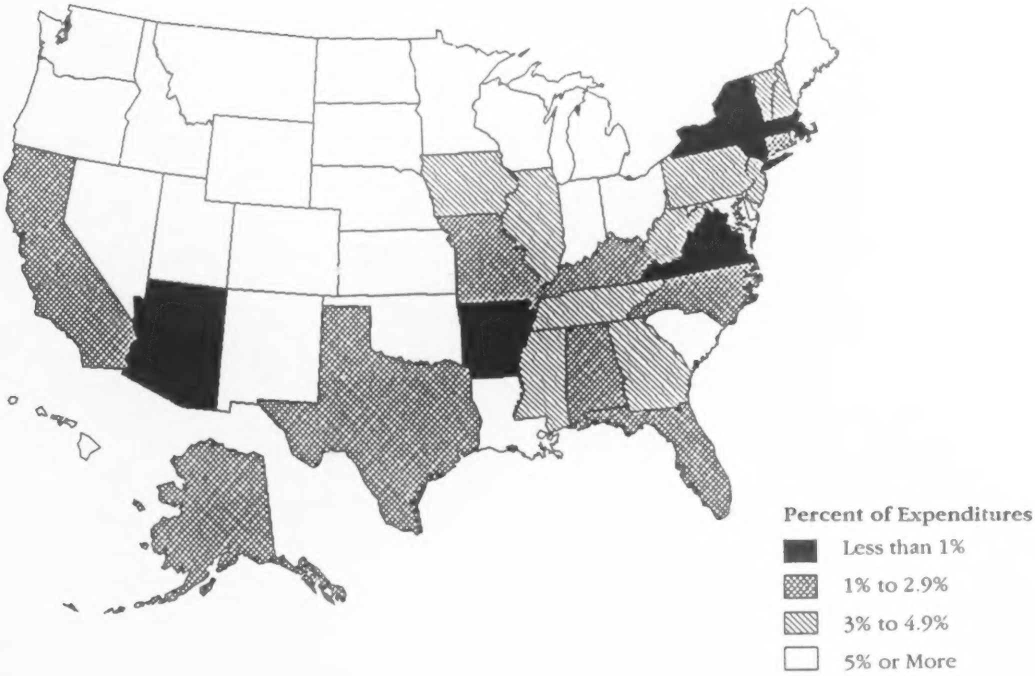
	Balances ($ in billions)			*As a Percent of Expenditures*		
Year	*General Fund*	*Stabilization Fund*	*Total Balance*	*General Fund*	*Stabilization Fund*	*Total Balance*
1990	$4.7 (est.)	$4.9 (est.)	$9.6	1.7 %	1.8 %	3.5 %
1989	7.9 (est.)	4.0 (est.)	11.9	3.1	1.6	4.6
1988	6.9	2.9	9.8	2.9	1.2	4.2
1987	3.7	3.0	6.7	1.7	1.4	3.1
1986	5.4	1.8	7.2	2.6	0.9	3.5
1985	8.0	1.7	9.7	4.3	0.9	5.2
1984	5.6	0.8	6.4	3.3	0.5	3.8
1983	2.0	0.3	2.3	1.3	0.2	1.5
1982	4.5	0.0	4.5	2.9	-	2.9
1981	6.5	0.0	6.5	4.4	-	4.4
1980	11.8	0.0	11.8	9.0	-	9.0
1979	11.2	0.0	11.2	8.7	-	8.7
1978	8.9	0.0	8.9	8.6	-	8.6

With the introduction of budget stabilization funds, states have shifted their reliance away from ending balances and toward budget stabilizations funds. Whereas in 1983 states held the bulk of their balances as ending balances, by 1990 they will, for the first time, hold more in budget stabilization funds. The balances held in these two types of funds are listed in Table 7. For state-by-state breakdowns, see Appendix Table A-1, A-2, A-3, and A-4.

The condition of total balances at the end of 1989 provides strong evidence of the improved condition of state budgets. In the March 1989 survey, states estimated that they would end fiscal 1989 with balances of $9 billion, or 3.5 percent of expenditures. The preliminary actual 1989 balances reported in this survey total $11.9 billion, or 4.6 percent of expenditures. This is the highest dollar level of balances ever reported in this survey.

Figure 2 illustrates the variation in total balances on a state-by-state basis. In general, the Plains, Far West, Rocky Mountain, and Great Lakes regions ended 1989 with balances at 5 percent of expenditures or more. The eastern United States tended to hold lower balances, reflecting the difficulty many of those states encountered during the fiscal year. Five states held balances below 1.0 percent of expenditures, with Massachusetts ending the year with a deficit of $200 million. Even though total state balances were higher in 1989 than in 1988, thirty states held balances greater than 5.0 percent of expenditures in 1988 while only twenty-five did so in 1989. In 1990, nineteen states will hold balances greater than 5.0 percent of expenditures.

Figure 2
YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1989



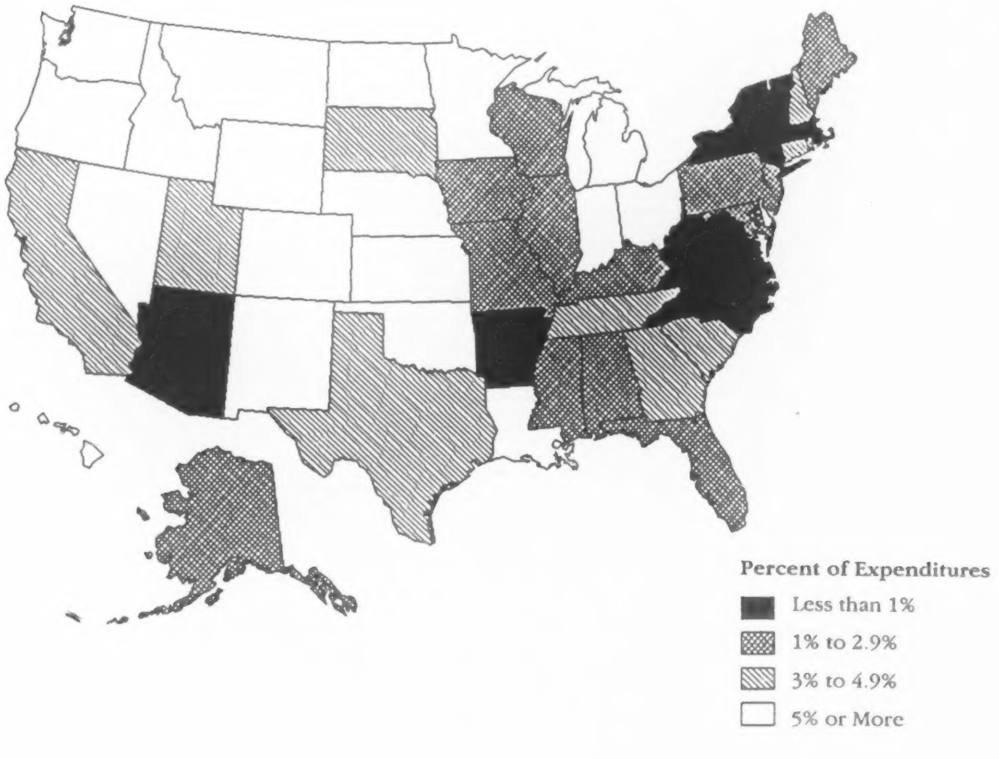
States estimate that they will end fiscal 1990 with a decline in balances. Total funds available will drop below $10 billion and represent 3.5 percent of expenditures. Figure 3 shows that Delaware will be the only state on the eastern seaboard to hold more than 5.0 percent in balances by year-end. California, recovering from its fiscal woes of 1988, plans to end 1990 with over $1.3 billion in reserves. Virginia, after several years of robust economic growth, will feel the pinch of tax reform flowing from the Supreme Court decision in ***Davis v. Michigan***.

Table 8
TOTAL YEAR-END BALANCES AS A PERCENT OF EXPENDITURES

	Fiscal 1988 Actual (# of States)	*Fiscal 1989 Estimated (# of States)*	*Fiscal 1990 Proposed (# of States)*
Less than 1.0%	5	5	8
1.0 - 2.9%	9	9	14
3.0 - 4.9%	6	11	9
5% or more	30	25	19
Average Percent	4.2%	4.5%	3.4%

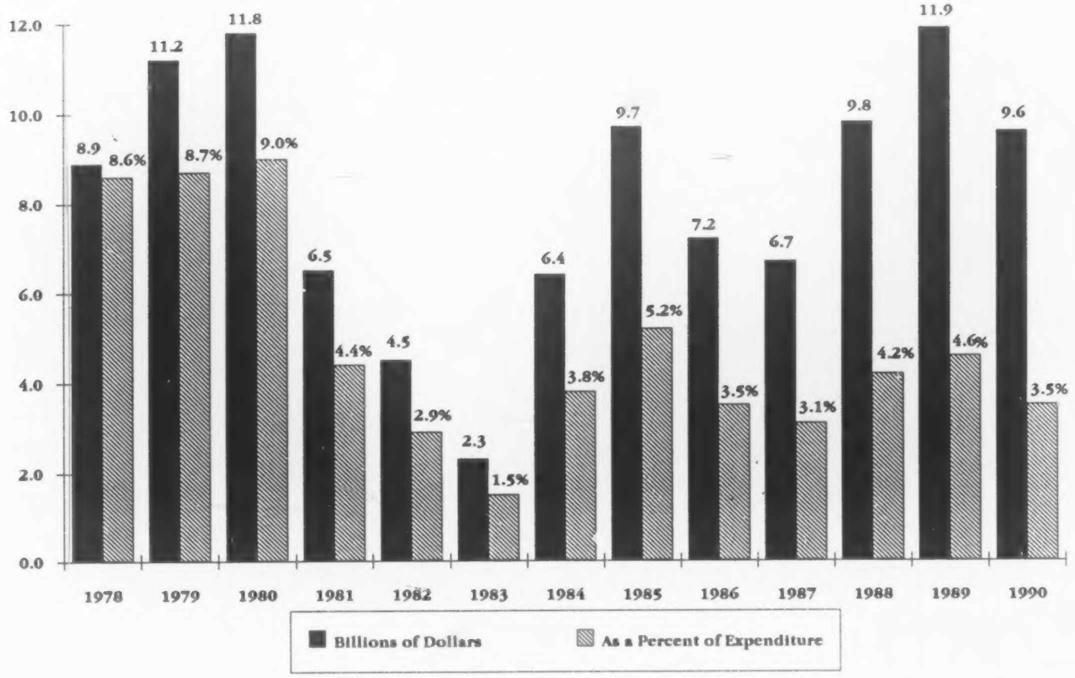
Eight states will hold balances of less than 1.0 percent of expenditures and Vermont, had it not taken action to reduce its enacted budget, would have finished the year with a deficit. Interestingly, Vermont is the only state that does not have a balanced budget requirement.

Figure 3
YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1990



Relative to expenditures, the overall level of state balances suggests that states have benefited heavily from the continued expansion of the national economy. While there are no overt signs of fiscal stress in the states as a whole, the condition of the northeastern states is cause for concern. The decline in their revenue streams came very quickly and could portend equally rapid downturns in other states.

Figure 4
SIZE OF TOTAL YEAR - END BALANCES
Fiscal 1978 to 1990



IV. Regional Fiscal Outlook

Overview

The remarkable thing about 1989 is not simply that most states ended it with higher-than-expected balances. It also marks the first year in this economic expansion in which the Northeast did not dominate the national economy. In fact, the economic statistics presented below reveal some "merging" of economic performance, especially when compared with the numbers in the last survey.

In six of the eight regions listed, ending balances for 1989 exceeded 5.0 percent of general fund expenditures. In all regions there have been net population gains and all regions have unemployment rates below 6.0 percent.

Table 9
REGIONAL BUDGET AND ECONOMIC INDICATORS

	*Weighted Unemployment Rate**	*Weighted Annual % Change in Personal Income***	*Annual % Change in Population****	*Fiscal 1989 Total Balances as a Percent of Expenditures*	*Fiscal 1990 General Fund Budget Growth (%)*	*Number of States in Region*
New England	3.3%	8.8%	0.9%	0.5%	3.2%	6
Mideast	4.4	7.8	0.6	2.6	5.7	5
Great Lakes	5.4	6.9	0.4	7.3	8.5	5
Plains	4.2	5.5	0.8	11.5	10.5	7
Southeast	5.6	7.8	1.1	3.3	8.7	12
Southwest	5.8	5.6	0.6	3.9	2.3	4
Rocky Mountain	5.6	5.1	0.0	10.0	6.0	5
Far West	5.2	7.7	2.3	4.6	10.4	6
Average	**5.2%**	**7.3%**	**1.0%**	**4.5%**	**7.9%**	**50**

SOURCES: * U.S. Department of Labor, Bureau of Labor Statistics, June 1989.
** FFIS Issue Brief 89-5, Total Personal Income By State and Region, 1987 to 1988.
*** FFIS Issue Brief 89-5, Population of the States.

New England. Much has been observed about the decline in this region's economy. Yet, the region still enjoys the lowest unemployment rate in the country and the highest personal income growth. More important, though, may be that both of these statistics have changed for the worse since the March 1989 survey. The unemployment rate has jumped from 2.5 percent to 3.3 percent and personal income growth has slowed.

The most alarming statistic, and the one that illustrates the poor condition of these states' budgets, is total balances as a percent of general fund expenditures. It has dropped from 2.1 percent in the last survey to 0.5 percent in this one. The expenditure growth in 1990 of just 3.2 percent, compared with the 8.9 percent in Governors' recommended budgets, further testifies to fiscal stress in the region. In Massachusetts, 1990 expenditures are slated to decline from 1989 levels.

Mideast. This region is divided; New Jersey and New York are facing the same problems as states in New England, while Delaware, Maryland, and Pennsylvania continue to do well and, to some extent, pull up the numbers for the rest of the region. Since the March 1989 survey was published, the unemployment rate in the Mideast has increased from 4.1 percent to 4.4 percent, and personal income growth has slowed slightly. Population growth also has slowed while balances as a percent of general fund expenditures have remained constant. Moderate growth in 1990 expenditures should help some of the states keep spending in line with revenues.

Great Lakes. Compared with the last survey, the most remarkable thing in this region is the growth in ending balances. All of the states in the region reported strong April income tax collections and, as a consequence, they now hold balances equal to 7.3 percent of expenditures compared with the 4.8 percent they expected to hold. These high balances have translated into large spending increases: whereas Governors' recommended a 4.7 percent increase in expenditures, enacted budgets will increase by 8.5 percent. The region's unemployment rate has increased slightly since the last survey, as has its personal income growth.

Plains. With the second lowest unemployment rate in the country (4.2 percent) and the highest balances as a percent of expenditures (11.5 percent), the economic condition of the Plains states is remarkably good. It is one of only two regions in which personal income growth is higher now than it was six months ago. All of this good news has a predictable result: this region also has the highest expenditure growth in 1990 budgets (10.5 percent).

Southeast. With twelve states, this region is so large that making generalizations is difficult. Most of the states in the region are doing well although Louisiana has struggled for years to come to grips with fiscal troubles. As a whole the region experienced a decline in its unemployment rate since the last survey, from 6.2 percent to 5.6 percent. It continues to attract population and trails only the Far West in population growth. Ending balances have improved since the last survey, and expenditure growth increased from 6.7 percent in proposed budgets to 8.7 percent in enacted budgets.

Southwest. With a full percentage point decline in its unemployment rate since the last survey, the Southwest shows the biggest improvement in this measure of economic health. However, it still has the highest rate in the country. The four-state region is heavily dominated by Texas, so that state's economy tends to pull the economies of the other three states with it.

This is one of only two regions where enacted 1990 budgets contain a lower rate of growth than proposed 1990 budgets. It also joins New England and the Mideast as the third region where 1989 balances did not improve since the last survey. The absence of an income tax in Texas may provide an explanation for the lack of improvement since much of the additional revenue states realized was attributed to income tax payments.

Rocky Mountain. Perhaps the most encouraging sign coming out of the Rocky Mountain region is that it is no longer losing population. On the one hand, the region has the lowest rate of income growth and the second highest unemployment rate in the country. On the other, it ended 1989 with the second highest balances in the country, 10.0 percent. This is a big improvement over the 5.7 percent it forecast in the March 1989 survey. Budgets for 1990 are slated to grow at a moderate rate of 6.0 percent compared with the 3.7 percent growth rate recommended in Governors' budgets.

Far West. Except for a decline in personal income growth, from 8.9 percent in the last survey to 7.7 percent in this one, the Far West continues to set the pace for the nation. Its population growth continues to increase and its unemployment rate is holding steady. Ending balances for 1989 were 4.6 percent of expenditures, substantially aided by California's unexpectedly strong revenues. Oregon bumped up against its revenue limitation, "The 2 Percent Kicker," and will provide tax credits on 1989 returns.

APPENDIX

Table A-1
FISCAL 1988 STATE GENERAL FUND
($ in millions)
Actual Figures

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States With Annual Budgets						
Alabama	$49	$2,886	$2.935	$2,779	$156	$21
Alaska	14	2,467	2,480	2,256	224	
Arizona	56	2,563	2,619	2,613	6	
California	662	32,534	33,195	33,017	178	4
Colorado	45	2,198	2,243	2,143	100	
Connecticut	0	4,860	4,860	4,976	-116	320
Delaware	170	1,028	1,198	1,039	158	*
Georgia	126	5,891	6,017	5,866	151	163
Idaho	0	675	675	658	17	0
Illinois	154	11,620	11,774	11,528	246	
Iowa	68	2,416	2,484	2,422	62	
Kansas	75	2,113	2,188	1,887	301	
Louisiana	-446	3,762	3,316	3,828	-512	
Maryland	208	5,093	5,301	4,892	409	65
Massachusetts	41	7,556	7,597	7,556	41	112
Michigan	11	6,724	6,735	6,714	22	381
Mississippi	116	1,627	1,742	1,654	89	24
Missouri	50	3,523	3,573	3,479	94	0
New Jersey	722	10,311	11,033	10,259	774	246
New Mexico	0	1,584	1,584	1,584	0	155
New York	169	26,875	27,044	26,991	53	
Oklahoma	0	2,397	2,397	2,281	116	78
Pennsylvania	348	10,264	10,612	10,517	95	80
Rhode Island	106	1,265	1,370	1,256	115	28
South Carolina	14	2,928	2,942	2,814	128	86
South Dakota	36	397	433	392	41	0
Tennessee	22	3,155	3,177	3,111	66	75
Utah	29	1,460	1,489	1,402	87	43
West Virginia	33	1,416	1,449	1,414	35	
States With Biennial Budgets						
Arkansas	$0	$1,601	$1,601	$1,601	$0	$0
Florida	36	8,781	8,817	8,582	235	110
Hawaii	339	2089	2,428	1,957	471	
Indiana	101	3957	4,058	3,815	243	220
Kentucky	166	3,074	3.239	3,208	32	
Maine	60	1,335	1,395	1,254	141	25
Minnesota	477	5,870	6,347	5,767	580	265
Montana	11	400	411	371	40	
Nebraska	55	1,014	1,068	891	178	18
Nevada	27	625	652	587	65	40
New Hampshire	23	543	566	553	13	27
North Carolina	362	5,805	6,167	5,774	393	
North Dakota	21	536	557	506	51	0
Ohio	226	10,024	10,250	9,953	297	284
Oregon	235	1,677	1,912	1,798	114	0
Texas	-724	12,707	11,983	11,870	113	0
Vermont	61	520	581	507	74	8
Virginia	248	5,120	5,368	5,093	275	0
Washington	166	5,000	5,167	4,989	178	
Wisconsin	233	5,251	5,483	5,289	194	0
Wyoming	46	377	423	351	72	55
Total	$5,044	$237,892	$242,936	$236,041	$6,895	$2,933
District Of Columbia	-205	2,652	2,447	2,667	-220	0

NOTES TO TABLE A-1

For all states, transfers into budget stabilization funds are counted as expenditures unless otherwise noted. Use of budget stabilization funds is counted as revenues.

California	Beginning balance and expenditures include prior year's "rainy day" fund balance.
Colorado	Required reserve is included with ending balance.
Connecticut	Fiscal 1988 revenues and expenditures include $132.6 million from the Educational Excellence Trust Fund. For 1990 the fund has been merged into the general fund.
Delaware	Ending balance includes $53.3 million reserve fund.
D.C.	Other sources, uses, and adjustments are applied to revenues and expenditures.
Maryland	Expenditures equal appropriations minus reversions.
Minnesota	Beginning balance and expenditures include budget stabilization fund.
Montana	Revenues include adjustments, reversions, and transfers of $9 million.
New Mexico	Expenditures include fund transfers of $38.5 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization reserve fund (rainy day fund).
North Dakota	Revenues and expenditures for 1988 reflect a modified accrual rather than cash basis of accounting. The ending balance does not reflect the cash balance but the fund balance.
Oregon	Biennial expenditures were split 48 percent to the first year of the biennium (1988) and 52 percent to the second year of the biennium (1989). For the 1989-91 biennium, expenditures were split 47 percent to the first year of the biennium (1990) and 53 percent to the second. Using fiscal year figures may present erroneous results.
Rhode Island	Resources include other financing sources.
Tennessee	Expenditures include fund transfers.
Texas	Beginning balances and expenditures include budget stabilization funds.

Table A-2
FISCAL 1989 STATE GENERAL FUND
($ in millions)
Preliminary Actual Figures

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States With Annual Budgets						
Alabama	$156	$3,063	$3,218	$3,181	$37	$21
Alaska	224	2,238	2,462	2,412	50	
Arizona	6	2,905	2,911	2,889	21	
California	182	37,037	37,219	36,968	251	616
Colorado	100	2,368	2,468	2,315	153	
Connecticut	0	5,511	5,511	5,539	-28	131
Delaware	158	1,119	1,278	1,092	185	*
Georgia	151	6,345	6,496	6,405	91	177
Idaho	17	773	790	713	77	12
Illinois	246	12,133	12,379	11,838	541	
Iowa	62	2,701	2,763	2,665	98	
Kansas	301	2,230	2,531	2,160	371	
Louisiana	-512	5,037	4,525	4,052	473	
Maryland	409	5,405	5,814	5,460	354	82
Massachusetts	41	8,292	8,333	8,534	-201	0
Michigan	22	7,014	7,035	6,941	94	420
Mississippi	89	1,804	1,893	1,832	61	24
Missouri	94	3,792	3,886	3,794	92	
New Jersey	774	11,155	11,929	11,576	353	0
New Mexico	0	1,697	1,697	1,697	0	133
New York	53	28,191	28,244	28,244	0	0
Oklahoma	116	2,600	2,716	2,545	171	153
Pennsylvania	95	11,260	11,355	10,970	385	112
Rhode Island	115	1,310	1,425	1,411	13	37
South Carolina	128	3,152	3,280	3,153	127	81
South Dakota	41	413	454	416	39	3
Tennessee	66	3,439	3,505	3,483	22	100
Utah	42	1,538	1,580	1,505	75	48
West Virginia	35	1,494	1,529	1,463	66	
States With Biennial Budgets						
Arkansas	$0	$1,729	$1,729	$1,729	$0	$0
Florida	235	9,278	9,513	9,513	0	139
Hawaii	471	2,378	2,849	2,100	749	
Indiana	243	4,361	4,604	4,179	425	258
Kentucky	32	3,321	3,353	3,305	48	
Maine	141	1,430	1,571	1,423	148	25
Minnesota	850	6,004	6,854	6,438	416	550
Montana	40	417	457	390	67	
Nebraska	178	1,099	1,277	987	290	50
Nevada	65	695	761	750	11	40
New Hampshire	13	569	582	582	0	27
North Carolina	393	6,155	6,547	6,390	157	
North Dakota	51	536	587	522	65	*
Ohio	297	10,953	11,250	10,775	475	340
Oregon	114	2,125	2,239	1,948	291	0
Texas	113	12,971	13,084	13,084	0	306
Vermont	74	546	619	608	11	13
Virginia	275	5,527	5,802	5,802	0	0
Washington	178	5,577	5,755	5,348	408	60
Wisconsin	194	5,629	5,823	5,525	298	0
Wyoming	72	366	438	384	54	58
Total	$7,239	$257,681	$264,920	$257,034	$7,886	$4,016
District Of Columbia	-219	2,833	2,614	2,813	-199	0

NOTES TO TABLE A-2

For all states, transfers into budget stabilization funds are counted as expenditures unless otherwise noted. Use of budget stabilization funds is counted as revenues.

California	Beginning balances and expenditures include "rainy day" fund balance.
Colorado	Required reserve is included with ending balance.
Connecticut	Fiscal 1989 revenues and expenditures include $204.7 million from the Educational Excellence Trust Fund. For 1990 the fund has been merged into the general fund. Budget stabilization fund balance reflects $73.7 million transfer at the beginning of the fiscal year.
Delaware	Ending balance includes $55.9 million reserve fund.
D.C.	Other sources, uses, and adjustments are applied to revenues and expenditures. Fiscal 1989 figures are estimates that reflect the revised budget as approved by Congress.
Hawaii	1989 figures are estimates.
Idaho	Expenditures include $12 million transfer to rainy day fund.
Louisiana	Revenues include $774 million of Recovery District Bond proceeds to be repaid over a ten-year period.
Maryland	Expenditures equal appropriations minus reversions.
Minnesota	Beginning balance and expenditures include budget stabilization fund.
Montana	Revenues include adjustments, reversions, and transfers of $3 million.
New Jersey	Revenues include release of rainy day fund.
New Mexico	Revenues include fund transfer of $1.2 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (rainy day fund). Revenues for 1989 include $460 million in deficit notes.
North Dakota	The ending balance includes a budget stabilization fund of $25 million.
Oregon	Biennial expenditures were split 48 percent to the first year of the biennium (1988) and 52 percent to the second year of the biennium (1989). For the 1989-91 biennium, expenditures were split 47 percent to the first year of the biennium (1990) and 53 percent to the second. Using fiscal year figures may present erroneous results.
Pennsylvania	Revenues include $140 million that became available with the failure of the constitutional amendment for local tax reform.
Rhode Island	Resources include other financing sources.
Tennessee	Expenditures include transfers into "rainy day fund."
Texas	Beginning balances and expenditures include budget stabilization funds.
Utah	Beginning balance reflects a transfer in of $27 million and an income tax refund of $72 million ($87 + 27 - 72 = $42). The ending balance has been made available for tax reductions or supplemental appropriations.
Wisconsin	Figures are estimates.

Table A-3
FISCAL 1990 STATE GENERAL FUND
($ in millions)
Appropriated Figures

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States With Annual Budgets						
Alabama	$37	$3,136	$3,173	$3,166	$7	$29
Alaska	50	2,301	2,351	2,302	49	
Arizona	21	3,128	3,149	3,141	8	
California	867	40,278	41,145	40,894	251	1,143
Colorado	153	2,440	2,593	2,469	124	
Connecticut	0	6,382	6,382	6,289	93	103
Delaware	185	1,148	1,333	1,182	151	*
Georgia	91	7,407	7,498	7,498	0	222
Idaho	77	815	892	790	102	12
Illinois	541	13,009	13,550	13,200	350	
Iowa	98	2,799	2,896	2,838	58	
Kansas	371	2,256	2,627	2,447	180	
Louisiana	473	4,209	4,682	4,331	351	
Maryland	354	5,713	6,067	6,062	5	100
Massachusetts	0	8,142	8,142	8,142	0	0
Michigan	94	7,202	7,296	7,294	3	459
Mississippi	61	1,846	1,907	1,907	0	24
Missouri	92	4,145	4,237	4,176	60	
New Jersey	354	11,579	11,933	11,675	258	0
New Mexico	0	1,731	1,731	1,731	0	128
New York	0	29,782	29,782	29,771	11	
Oklahoma	171	2,652	2,823	2,648	175	153
Pennsylvania	385	11,541	11,926	11,924	2	130
Rhode Island	13	1,478	1,492	1,491	1	37
South Carolina	126	3,364	3,490	3,428	62	88
South Dakota	39	423	462	445	17	
Tennessee	22	3,664	3,686	3,685	1	125
Utah	0	1,522	1,522	1,503	19	48
West Virginia	66	1,723	1,789	1,775	14	
States With Biennial Budgets						
Arkansas	$0	$1,718	$1,718	$1,718	$0	$0
Florida	0	10,256	10,256	10,254	3	168
Hawaii	749	2,297	3,046	2,818	228	
Indiana	425	4,509	4,934	4,626	308	323
Kentucky	48	3,479	3,527	3,483	44	2
Maine	148	1,464	1,612	1,581	31	7
Minnesota	966	6,454	7,420	7,085	335	550
Montana	67	420	487	433	54	
Nebraska	290	1,121	1,411	1,247	164	40
Nevada	11	761	772	762	10	40
New Hampshire	0	632	632	632	0	27
North Carolina	157	7,269	7,426	7,360	66	0
North Dakota	40	539	579	549	30	25
Ohio	475	11,607	12,082	11,672	410	359
Oregon	292	2,128	2,420	2,155	265	0
Texas	306	12,875	13,181	13,181	0	505
Vermont	11	585	596	610	-14	11
Virginia	0	6,075	6,075	6,073	2	1
Washington	408	5,950	6,358	6,073	285	60
Wisconsin	298	5,639	5,937	5,817	120	0
Wyoming	54	396	450	432	19	9
Total	$9,486	$271,988	$281,475	$276,763	$4,712	$4,929
District Of Columbia	-199	3,030	2,831	3,011	-180	0

NOTES TO TABLE A-3

For all states, transfers into budget stabilization funds are counted as expenditures unless otherwise noted. Use of budget stabilization funds is counted as revenues.

California	Beginning balance and expenditures includes "rainy day" fund balance.
Colorado	Required reserve is included with ending balance.
Delaware	Ending balance includes $62.5 million reserve fund.
D.C.	Other sources, uses, and adjustments are applied to revenues and expenditures. Fiscal 1990 budget is that approved by the council and currently before Congress.
Kentucky	Figures are revised budgeted figures.
Maryland	Expenditures equal appropriations minus reversions.
Minnesota	Beginning balance and expenditures include budget stabilization fund.
Nebraska	Revenues include transfers of $14.5 million and revenue reductions of $30.1 million. Expenditures include a $34.0 million reappropriation from fiscal 1989.
New Mexico	Revenues include fund transfer of $2.8 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (rainy day fund). Total resources are net of $246 million planned impoundment to repay deficit notes. Expenditures include $80 million repayment to Infrastructure Trust Fund.
North Dakota	Revenues and expenditures are based on estimated 1990 revenues and 49 percent of the appropriations for the 1989-91 biennium.
Oklahoma	Revenues include a reduction of $15 million to augment the cash flow reserve fund.
Oregon	Biennial expenditures were split 48 percent to the first year of the biennium (1988) and 52 percent to the second year of the biennium (1989). For the 1989-91 biennium, expenditures were split 47 percent to the first year of the biennium (1990) and 53 percent to the second. Using fiscal year figures may present erroneous results.
Rhode Island	Resources include other financing sources.
Texas	Beginning balances and expenditures include budget stabilization funds.
Tennessee	Expenditures include fund transfers.
Vermont	Budget cuts have been enacted to deal with 1990 deficit.
Wisconsin	Figures are not final and reflect estimates as of 7/31/89.

Table A-4
COMBINED ENDING BALANCES AND STABILIZATION FUNDS AS A PERCENT OF EXPENDITURES, 1988 TO 1990

	Total Balances ($ in millions)			*As a Percent of Expenditures*		
State	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*
States With Annual Budgets						
Alabama	$177	$58	$36	6.4%	1.8%	1.1%
Alaska	224	50	49	9.9	2.1	2.1
Arizona	6	21	8	0.2	0.7	0.3
California	175	867	1,394	0.5	2.3	3.4
Colorado	100	153	124	4.7	6.6	5.0
Connecticut	204	103	196	4.1	1.9	3.1
Delaware	158	185	151	15.2	17.0	12.8
Georgia	314	268	222	5.4	4.2	3.0
Idaho	17	89	114	2.6	12.5	14.4
Illinois	246	541	350	2.1	4.6	2.7
Iowa	62	98	58	2.6	3.7	2.1
Kansas	301	371	180	16.0	17.2	7.4
Louisiana	-512	473	351	-13.4	11.7	8.1
Maryland	474	436	105	9.7	8.0	1.7
Massachusetts	153	-201	0	2.0	-2.4	0.0
Michigan	403	514	461	6.0	7.4	6.3
Mississippi	113	85	24	6.8	4.7	1.3
Missouri	94	92	60	2.7	2.4	1.4
New Jersey	1,020	353	258	9.9	3.1	2.2
New Mexico	155	133	128	9.8	7.9	7.4
New York	53	0	11	0.2	0.0	0.0
Oklahoma	194	324	328	8.5	12.7	12.4
Pennsylvania	175	497	132	1.7	4.5	1.1
Rhode Island	143	50	38	11.4	3.6	2.6
South Carolina	214	208	150	7.6	6.6	4.4
South Dakota	41	42	17	10.5	10.1	3.8
Tennessee	141	122	126	4.5	3.5	3.4
Utah	130	123	67	9.3	8.2	4.5
West Virginia	35	66	14	2.5	4.5	0.8
States With Biennial Budgets						
Arkansas	$0	$0	$0	0.0%	0.0%	0.0%
Florida	345	139	171	4.0	1.5	1.7
Hawaii	471	749	228	24.1	35.7	8.1
Indiana	463	682	631	12.1	16.3	13.6
Kentucky	32	48	46	1.0	1.4	1.3
Maine	166	173	38	13.2	12.2	2.4
Minnesota	845	966	885	14.7	15.0	12.5
Montana	40	67	54	10.7	17.2	12.5
Nebraska	195	340	204	21.9	34.5	16.4
Nevada	105	51	50	18.0	6.8	6.6
New Hampshire	40	27	27	7.3	4.7	4.3
North Carolina	393	157	66	6.8	2.5	0.9
North Dakota	51	65	55	10.1	12.5	10.0
Ohio	581	815	769	5.8	7.6	6.6
Oregon	114	291	265	6.3	14.9	12.3
Texas	113	306	505	1.0	2.3	3.8
Vermont	82	24	-3	16.1	4.0	-0.5
Virginia	275	0	3	5.4	0.0	0.1
Washington	178	468	345	3.6	8.7	5.7
Wisconsin	194	298	120	3.7	5.4	2.1
Wyoming	128	112	27	36.3	29.2	6.3
Total	$9,821	$11,902	$9,640	4.2%	4.6%	3.5%
District of Columbia	-220	-199	-180	-8.2	-7.1	-6.0

NOTE TO TABLE A-4

Pennsylvania	Balances for 1989 include $140 million in revenues that became available with the failure of the constitutional amendment for local tax reform.

Table A-5

NOMINAL PERCENTAGE EXPENDITURE CHANGE, FISCAL 1988 TO 1989 AND FISCAL 1989 TO 1990

State	*Fiscal 1989*	*Fiscal 1990*
States With Annual Budgets		
Alabama	14.5%	-0.5%
Alaska	6.9	-4.6
Arizona	10.6	8.7
California	12.0	10.6
Colorado	8.0	6.7
Connecticut	11.3	13.5
Delaware	5.1	8.2
Georgia	9.2	17.1
Idaho	8.4	10.8
Illinois	2.7	11.5
Iowa	10.0	6.5
Kansas	14.5	13.3
Louisiana	5.9	6.9
Maryland	11.6	11.0
Massachusetts	12.9	-4.7
Michigan	3.4	5.1
Mississippi	10.8	4.1
Missouri	9.1	10.1
New Jersey	12.8	0.9
New Mexico	7.1	2.0
New York	4.6	5.4
Oklahoma	11.6	4.0
Pennsylvania	4.3	8.7
Rhode Island	12.4	5.6
South Carolina	12.1	8.7
South Dakota	6.0	7.1
Tennessee	12.0	5.8
Utah	7.3	-0.1
West Virginia	3.5	21.3
States With Biennial Budgets		
Arkansas	8.0%	-0.6%
Florida	10.8	7.8
Hawaii	7.3	34.2
Indiana	9.5	10.7
Kentucky	3.0	5.4
Maine	13.5	11.1
Minnesota	11.6	10.0
Montana	5.2	11.0
Nebraska	10.8	26.4
Nevada	27.8	1.6
New Hampshire	5.3	8.6
North Carolina	10.7	15.2
North Dakota	3.2	5.2
Ohio	8.3	8.3
Oregon	8.3	10.6
Texas	10.2	0.7
Vermont	19.9	0.2
Virginia	13.9	4.7
Washington	7.2	13.6
Wisconsin	4.4	5.3
Wyoming	9.5	12.4
Total	8.9%	7.7%
District of Columbia	5.5	7.0

TABLE A-6
FISCAL 1989 TAX COLLECTIONS COMPARED WITH PROJECTIONS USED IN FORMULATING BUDGET
($ in millions)

State/Region	*Personal Income Tax*		*Sales Tax*		*Total Revenue Collection**
	Original Estimate	*Current Estimate*	*Original Estimate*	*Current Estimate*	
New England					
Connecticut*	$410	$509	$2,289	$2,098	L
Maine	466	521	464	486	H
Massachusetts	4472	4287	2502	2084	L
New Hampshire	N/A	N/A	N/A	N/A	L
Rhode Island	427	419	412	395	L
Vermont	196	202	118	124	H
Mideast					
Delaware	$465	$487	N/A	N/A	H
District of Columbia	$589	$609	$426	$419	L
Maryland	2520	2620	1501	1517	T
New Jersey	2910	2900	3320	3080	L
New York	15132	13844	5675	5513	L
Pennsylvania*	3075	3147	4132	4086	H
Great Lakes					
Illinois	$3,524	$3,619	$3,550	$3,728	H
Indiana	1834	1945	2021	2066	H
Michigan	3533	3749	2600	2620	H
Ohio	3042	3394	3129	3260	H
Wisconsin	2476	2515	1790	1875	H
Plains					
Iowa	$1,262	$1,368	$677	$702	H
Kansas	825	844	695	709	H
Minnesota	2067	2380	1674	1778	H
Missouri	1718	1843	1181	1165	T
Nebraska	430	474	400	428	H
North Dakota	90	106	266	254	H
South Dakota	N/A	N/A	207	219	H
Southeast					
Alabama	$1,024	$1,024	$779	$779	H
Arkansas	$633	$682	$666	$692	H
Florida	N/A	N/A	7752	7719	L
Georgia	2650	2628	1924	2015	T
Kentucky	1060	1112	1041	1045	H
Louisiana	576	674	1421	1428	H
Mississippi	360	401	757	761	H
North Carolina	2947	3002	1669	1682	T
South Carolina	1164	1245	1065	1075	H
Tennessee	77	96	2263	2229	L
Virginia	3045	3045	1271	1271	T
West Virginia	440	440	350	381	L
Southwest					
Arizona	$979	$958	$1,333	$1,338	T
New Mexico	292	350	586	607	H
Oklahoma	839		730	738	H
Texas	N/A	N/A	6706	6891	H
Rocky Mountain					
Colorado	$1,215	$1,299	$675	$697	H
Idaho	296	343	265	289	H
Utah	582	609	605	667	H
Wyoming	N/A	N/A	91	86	L
Far West					
Alaska	N/A	N/A	N/A	N/A	H
California*	$14,850	$15,884	$12,522	$12,560	H
Hawaii	579	767	970	1011	H
Montana	141	151	N/A	N/A	H
Nevada	N/A	N/A	216	242	H
Oregon	1575	1725	N/A	N/A	H
Washington	N/A	N/A	2394	2678	H

* *L= revenues lower than estimates; H=revenues higher than estimates; and T=revenues on target.*

NOTES TO TABLE A-6

California	Compared with forecast when budget was adopted.
Connecticut	Personal income tax figures reflect a tax increase. Tax includes only capital gains, dividends, and interest.
Pennsylvania	Compared with official estimate.

Table A-7
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1990 Revenue Change ($ in millions)*
PERSONAL INCOME TAX			
Arizona	Reduction in subtraction for federal tax.	1/89	$16.8
	50% reduction in consumer interest deduction.	1/89	39.0
	Exempt first $2,500 of pension from taxation.	1/89	(2.2)
Connecticut	Repeal 60% long-term exclusion and include under Dividend and Interest Tax.	2/89,1/89	155.0
District of Columbia	Tax lottery; interest on state and local obligations, use federal deduction method.	1/89	7.3
Hawaii	Base reduction.	1/89	(163.0)
Illinois	Rate increase from 2.5% to 3.0%.	7/89	635.0
Kansas	Reduce tax rates.	1/89	(69.1)
Maine	Changes in tax base.	1/89	84.6
Maryland	Tax reduction.	7/89	(39.0)
Massachusetts	Additional tax of 0.375% for 1989, 0.75% for 1990.	1/89, 1/90	446.0
Minnesota	Expand dependent care credit.	7/89	(2.7)
	Extend tax to lottery winnings.	7/89	2.7
Missouri	Revise pension taxation.	1/89	0.0
Montana	Reallocation.	7/89	(1.4)
Nebraska	Base reduction.	1/89	(23.9)
North Carolina	Conform to federal tax code.	1/89	0.0
North Dakota	Increase rate from 14% to 17% of federal tax liability. Subject to popular vote.	1/89	20.9
Ohio	Withholding change and other minor changes.	7/89	91.8
Oregon	Interest on refunds; tax public employees' pensions.	1/89	13.4
South Carolina	Indexation of individual bracket by 0.5%.	1/89	0.8
Virginia	Sliding scale credit.	1/89	(100.1)
	Pension tax reform	7/89	(69.3)
Wisconsin	Introduce new credits; federal pension exemption; IRC update; earned income tax credit.	1/89	(200.1)
SALES TAX			
Arizona	Extend tax to catalog sales.	1/89	7.0
Arkansas	Impose 2% gross receipts tax on certain tourism-related activities.	7/89	4.8
Connecticut	Increase rate to 8% and include additional services.	7/89	388.0
District of Columbia	Tax real property and ADP; raise restaurant meal tax; raise hotel tax.	7/89	50.9
Florida	Eliminate certain transient rental exemptions.	10/89	5.2
Georgia	One cent rate increase.	4/89	260.0

Table A-7 (continued)
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1990 Revenue Change ($ in millions)*
Hawaii	Transfer of excise tax.	7/89	(90.0)
Illinois	Include computer software.	10/89	16.0
Kansas	Exempt non-prescription drugs and new farm machinery and increase rate by .25%.	7/89	41.6
Louisiana	More exemptions are allowed and remaining exemptions are taxed at a lower rate.	7/89,1/90	(105.0)
Maine	10% tax on liquor license establishments.	12/89	4.4
	5% tax on casual sale of boats.	10/89	0.5
Maryland	Abolished certain exemptions for food vendors.	7/89	2.0
Minnesota	Extend tax to lottery sales.	7/89	4.5
	Expand exemption for capital equipment.	7/89	(1.2)
Missouri	Increase in rate.	10/89	56.7
New Jersey	Require payment of full sales tax on leased equipment at initial lease, one-time gain.	6/89	110.0
New York	Add mail order sales; include cigarettes in sales tax base; other small changes.	6/89, 9/89	51.0
North Carolina	Increase rate from 2% to 3% on motor vehicles. Increase ceiling from $300 to $1,500.	8/89	149.0
North Dakota	Increase to 6% (5/89), add bingo cards to base (7/89); reduce rate on equipment to 3% (7/89).	varies	$41.1
Ohio	Clarified "sale for resale" exemption; exempt investment coins.	7/89	(2.1)
Rhode Island	Add interstate calls to base.	7/89	9.5
Tennessee	Close loop hole on auto sales.	6/89	15.0
Vermont	Increase tax on liquor portion of meals and rooms tax from 6% to 10%.	6/89	4.5
Virginia	Dealer discount.	7/90	5.0
West Virginia	Eliminate exemptions for food and building materials purchased by contractors.	3/89	159.0
Wyoming	Turn over taxing authority to locals.	7/89	(5.3)
BUSINESS TAXES			
Arkansas	Extends time for carryforward of operating loss from farming.	7/89	(1.0)
Connecticut	20% surcharge and $250 minimum tax.	1/89	167.0
District of Columbia	Raise surtax to 5%.	10/89	4.3
Florida	Extend tax to certain transportation firms.	7/89	1.5
Illinois	Rate increase from 4.0% to 4.8%.	7/89	117.0
Kansas	Child-care expense credit.	1/89	(3.0)
Massachusetts	First quarterly payment increased for 1989.	1/89	46.0
Minnesota	Changes in estimated payments.	7/89	2.8
Missouri	Increase in tax rate.	1/90	14.8
Montana	Accelerated estimated tax.	7/89	6.2

Table A-7 (continued)
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1990 Revenue Change ($ in millions)*
New York	Bank and insurance surcharge; remove MTA tax benefits; raise fee on S corporations; tax airline income.	1/89	143.0
Ohio	Closed reorganization loophole; exempted REMICA.	7/89	11.6
Oregon	Reconnect to federal tax code.	1/89	4.3
Rhode Island	Increase rate from 8% to 9%.	7/89	8.2
Virginia	Low-income housing credit.	1/90	(3.5)
West Virginia	Increase Business Franchise Tax rate from .55% to .75%.	3/89	30.0
	Expanded Business and Occupation Tax to include storage of natural gas and kilowatt hours produced by electric utilities.	3/89	60.0
CIGARETTE TAXES			
Alaska	Increased mil assessment.	9/89	$5.2
Connecticut	Increase of 14 cents/pack plus excise tax.	4/89	40.0
Illinois	Increase of 10 cents/pack.	7/89	92.0
Iowa	Decrease of 3 cents/pack.	7/89	(7.0)
Maine	Increase of 3 cents/pack.	10/89	2.375
Montana	Increase of 2 cents/pack.	10/89	1.0
Nevada	Increase of 15 cents/pack.	7/89	17.0
New Hampshire	Tax increase.	1/89	3.0
New York	Increase of 12 cents/pack.	5/89	174.0
	Tax other tobacco products.	7/89	10.0
North Dakota	Increase of 3 cents/pack.	7/89	1.5
Oregon	Increase of 1 cent/pack.	11/89	1.4
Rhode Island	Increase of 5 mils/cigarette.	7/89	9.5
Washington	Increase of 3 cents/pack.	6/89	11.7
Wyoming	Increase rate.	7/89	0.5
MOTOR FUEL TAXES			
Colorado	Increase of 2 cents/gallon.	8/89	26.8
District of Columbia	Increase of 2.5 cents/gallon.	7/89	4.0
Illinois	Increase of 3 cents/gallon.	8/89	
	Increase of 3 cents/gallon.	1/90	176.0
Kansas	Increase of 4 cents/gallon.	7/89	55.3
Montana	Increase of 1 cent/gallon.	7/89	4.2
Nebraska	Increase of 3.8 cents/gallon.	7/89	26.7
Nevada	Increase of 2 cents/gallon diesel.	1/90	1.0
	Increase of .6/cent/gallon all fuel.	10/89	2.475
New Mexico	Increase of 2 cents/gallon with 1.25 cents earmarked for municipalities.	7/89	15.3
North Carolina	Increase of 3 cents/gallon; increase variable fuel rate from 3% to 7%.	8/89	187.6
North Dakota	Increase of 3 cents/gallon; 2 cents/gallon for diesel. Subject to voter approval.	1/90	4.5
Ohio	Increase of 3.2 cents/gallon.	7/89	181.0

Table A-7 (continued)
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1990 Revenue Change ($ in millions)*
Oregon	Increase rate; weight mile tax reductions; vehicles registration fees.	1/90,1/91	9.2
Rhode Island	Increase of 5 cents/gallon.	7/89	23.0
Tennessee	Increase of 3 cents/gallon; increase of 2 cents/gallon for diesel.	4/89	81.9
Vermont	Increase of 2 cents/gallon; 2 cents/gallon for diesel at pump; 8 cents/gallon diesel reporting.	6/89	9.5
West Virginia	Increase of 5 cents/gallon.	4/89	42.0
ALCOHOLIC BEVERAGE TAXES			
Connecticut	Increase 100% for beer and wine, 50% for hard liquor.	4/90	18.5
District of Columbia	Set taxes equal to Maryland.	7/89	1.0
New York	Various rate increases.	5/89	149.0
Ohio	Increase of from $2.50 to $3.50 per barrel of beer.	7/89	1.1
Rhode Island	Rate schedule increases 50%.	7/89	4.0
Washington	Various increases for wine, beer and liquor.	6/89,7/89	18.1
MISCELLANEOUS TAXES			
Alaska	Modify laws under economic limit factor.	1/89	$171.0
Arizona	Prescribe minimum educational qualifying property tax rate.	1/89	26.0
	Increase minimum vehicle license tax.	189	15.8
Arkansas	Decrease state take-out percentages from horse racing to effective rate of 2.5% from 5.5%.	2/89	(3.6)
	Increase dog racing days.	2/89	5.0
Connecticut	Real estate conveyance tax raised from 0.45% to 0.50%; imposed mansion tax and 1% tax on commercial property.	7/89	33.5
District of Columbia	Tax transactions of economic interest; hotel occupancy tax increase, raise deed taxes; Toll Telecommunications Tax.	7/89, 3/89	37.0
Florida	Major revision in Insurance Premium Tax.	6/89	68.4
Maryland	Changes in structure of state death taxes.	7/89	4.0
	Increased exemption in property tax valuation subject to real estate transfer tax.	7/89	(3.0)
Massachusetts	Increased deeds, registration, and excise taxes.	7/89	37.0
Minnesota	Change tax basis for charitable gambling from 2% of gross to 6% of net proceeds.	7/89	21.1
Nevada	Additional insurance premium tax of 0.5%.	7/89	8.1
	Mining tax increase.	7/89	23.7
New Hampshire	Real estate transfer tax.	7/89	11.0
New Jersey	State portion of unemployment tax to be used for state purposes and not transferred to UI Trust Fund; shift in use of revenue.	1/89	$100.0
New York	Impose transfer gains tax on million dollar residences; extend transfer tax.	7/89	63.0

Table A-7 (continued)
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1990 Revenue Change ($ in millions)*
North Carolina	Increase sales tax on motor vehicle rentals; increase tax ceiling for airplanes, trains, and boats; increase privilege license taxes; increase title fees.	8/89	26.5
North Dakota	Increase insurance premium tax (1/89); change in charitable gaming tax base (7/89).	varies	5.2
Oregon	Temporary and permanent forest products harvest tax; timber and timberland assessments and taxes; petroleum products, solid waste, and hazardous waste taxes.	varies	9.7
Rhode Island	Rate change for parimutuel betting; withholding on gambling winnings; expand numbers who have to make estimated payments.	7/89	4.9
Tennessee	Close loop hole in franchise tax.	7/89	4.0
Utah	Specific tax for reduction has not been identified.	7/89	(19.0)
Virginia	Distribution of state share of recordation tax.	7/90	(40.0)
Washington	Tax on carbonated beverages and petroleum products.	7/89	27.9
West Virginia	Increase severance tax rate for "new" wells.	3/89	35.0
Wisconsin	Telecommunications tax reduction.	1/90	(4.6)

Table A-8
ENACTED STATE EMPLOYEE COMPENSATION CHANGES
FISCAL 1990

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
New England				
Connecticut	4.4%	—	2.6%	ATB represents 39% of employees in units that do not include employees of schools and educational institutions. Other represents annual increment step rate increases.
Maine	3.75	2.0	—	3% effective 7/1/89 and 3% effective 4/1/90.
Massachusetts	—	—	—	No increases.
New Hampshire	5.0	—	—	
Rhode Island	4.4	—	—	Effective 7/30/89.
Vermont	5.5	—	0.7	
Mideast				
Delaware	5.0%	—	2.8%	ATM will be less than 5% (with 2.5% minimum increase) for employers at/near maximum salary of assigned pay grade. Employees whose salary is below midpoint of assigned paygrade will receive up to 4% of the midpoint on 1/1/90. Will affect about 67.5% of workforce.
District of Columbia	5.0	*	—	ATB increases 3% on 10/1/89 and up to 2% on 4/1/90, depending on CPI. Step increases of 3% affect only 1/3 of payroll.
Maryland	4.0	—	—	Represents COLA. In addition, an annual salary review of selected classifications will increase certain classifications one grade (a 6% increase).
New Jersey	—	—	—	Contracts expired 6/30/89 and are under negotiation.
New York	5.0	1.5	0.5	Only employees below job rate can receive performance advances. Employees rated outstanding or highly effective who are at job rate can receive performance awards or merit increases.
Pennsylvania	5.0	—	1.125	Other is 1% longevity increase that takes effect 1/1/90 and 0.625% conversion to new pay plan effective 7/1/89.
Great Lakes				
Illinois	3.0%	0.5%	1.0%	Employees who are members of a collective bargaining unit receive for a half year an average step increase of 3.75% and 3.5% ATB.
Indiana	2.0	1.0	—	
Michigan	3.5	—	—	3% ATB effective 10/1/89 plus 1% ATB effective 4/1/90.
Ohio	4.0	—	2.5	Employees not in the last step of pay range receive step increase of approximately 5% on anniversary date. The average step increase for all state employees is approximately 2.5%.
Wisconsin	—	—	—	Not yet determined.
Plains				
Iowa	3.5%	1.5%	—	

Table A-8 (continued)
ENACTED STATE EMPLOYEE COMPENSATION CHANGES
FISCAL 1990

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
Kansas	3.0	2.5	—	Modifications to the pay plan ensure all classified employees receive a step or merit increase. Provisions also were made for permanent longevity payments for employees with 10 years of service.
Minnesota	*	—	—	5% total setaside. Negotiations will determine amounts for ATB and increased insurance costs.
Missouri	4.2	—	4.0	ATB includes 2.2% COLA and 2% increase within grade. Other includes repositioning increase of approximately 4% for 67% of employees, effective 1/1/90. Average increase approximately 6%.
Nebraska	4.0%	1.0%	1.5%	4% effective 7/1/89 and 1.5% on anniversary date if satisfactory performance or 2.5% if above satisfactory.
North Dakota	—	—	7.1	All classified employees receive minimum increase of $50 per month. Depending on length of service and level of salary within the range for the classification, minimum increase ranges from 4% to 7%. Largest increase goes to employees within the first quartile of the salary range.
South Dakota	3.0	0.5	1.5	2% absorbed by base budgets; 3% new money. Other is for employees under the midpoint of their pay ranges.
Southeast				
Alabama	—	—	—	Available to employees who have merit step and who rate high enough on employee evaluation.
Arkansas	7.0	2.5	—	All employees should receive anniversary increase if merit evaluation is completed. Due to fiscal 1990 general revenue forecast, only 4% of ATB increase was implemented.
Florida	4.0	—	—	Most employees will receive a 4% increase effective 1/1/90, with a $700 minimum. Law enforcement officers will receive a 3% increase effective 7/1/89 and a 5% increase on their anniversary dates.
Georgia	2.5	4.2	—	Merit increases range from 2.5% to 4.5%.
Kentucky	5.0	—	—	
Louisiana	—	4.0	—	There also is an additional retroactive 4% merit increase from fiscal 1989 that was frozen.
Mississippi	—	—	—	No increases adopted for fiscal 1990.
North Carolina	4.0	2.0	—	Public education will use 6% to establish new salary schedule for teachers based on length of service.
South Carolina	4.0	—	*	4% ATB effective 7/1/89; additional 2% effective 1/1/90. Lump sum bonus in December 1989: $286 to employees with salary below $20,000; $143 to employees with salary above $20,000.
Tennessee	4.0	—	—	Increases range from 2% to 5.6%, with lowest paid employees receiving highest increase.

Table A-8 (continued)
ENACTED STATE EMPLOYEE COMPENSATION CHANGES
FISCAL 1990

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
Virginia	3.25	2.0	—	The components are not additional but are compounded.
West Virginia	5.0	—	—	Effective 1/1/90 and financed from government reorganization cost savings
Southwest				
Arizona	—	1.25%	0.25%	Other is for Classification Maintenance Reviews. This is funded at 0.25% of all personal service dollars but is to be distributed only to specific position classifications.
New Mexico	4.0	—	—	All state nurse classifications received average 15% increase.
Oklahoma	*	—	—	$400 ATB for state employees plus doubling of longevity pay.
Texas	5.0	—	—	
Rocky Mountain				
Colorado	3.75%	2.5%	—	$30 per month increase in health insurance.
Idaho	—	5.0	—	Employee increases tied to performance.
Utah	2.0	2.5	—	
Wyoming	5.4	—	—	This increase available to employees with more than 4 years of service; those with less receive a proportional amount based on months of service.
Far West				
California	4.0%	*	*	Increase effective 1/1/90. Special inequity adjustments and health, dental, and vision benefit funding also available.
Nevada	5.0	2.5	—	Total will vary from 5% to 10% depending on merit increase.
Oregon	3.5	—	5.0	Other is implementation of new classification system. Merit increases of 5% are available to some employees within a six step range.
Washington	2.5	—	—	Effective 1/1/90.
Alaska	—	3.5	—	Merit increases average 3.5%, they are not budgeted and result in personal services underfunding.
Hawaii	4.0	—	—	

Table A-9
ANNUAL CHANGE IN THE SIZE OF THE STATE WORKFORCE*

State and Region	*Number of Employees as of 6/30/88*	*Number of Employees as of 6/30/89*	*Percent Change, Fiscal 1988 to 1989*
New England			
Connecticut	44,178	44,558	0.9
Maine	N/A	N/A	N/A
Massachsetts	70,752	69,653	-1.6
New Hampshire	11,712	12,709	8.5
Rhode Island	13,792	14,345	4.0
Vermont	7,386	7,535	2.0
Mideast			
Delaware	12,485	12,751	2.1
District of Columbia	29,039	28,409	-2.2
Maryland	72,000	74,000	2.8
New Jersey	78,472	78,343	-0.2
New York	249,081	248,294	-0.3
Pennsylvania	80,008	79,330	-0.8
Great Lakes			
Illinois	80,000	81,600	2.0
Indiana	34,596	34,789	0.6
Michigan	64,784	67,158	3.7
Ohio	58,957	58,596	-0.6
Wisconsin	57,535	58,142	1.1
Plains			
Iowa	23,667	24,206	2.3
Kansas	23,011	23,705	3.0
Minnesota	25,446	26,000	2.2
Missouri	45,899	47,124	2.7
Nebraska	15,838	16,020	1.1
North Dakota	7,086	7,077	-0.1
South Dakota	8,447	8,301	-1.7
Southeast			
Alamba	32,000	32,800	2.5
Arkansas	25,257	26,341	4.3
Florida	94,963	100,621	6.0
Georgia	46,595	47,073	1.0
Kentucky	33,228	32,992	-0.7
Louisana	50,838	49,376	-2.9
Mississippi	30,064	31,953	6.3
North Carolina	105,391	107,753	2.2
South Carolina	48,503	50,813	4.8
Tennessee	40,397	40,278	-0.3
Virginia	50,449	52,758	4.6
West Virginia	24,703	22,995	-6.9
Southwest			
Arizona	33,321	35,138	5.5
New Mexico	17,400	17,600	1.1
Oklahoma	34,981	36,981	5.7
Texas	95,414	99,887	4.7
Rocky Mountain			
Colorado	19,911	19,789	-0.6
Idaho	9,200	9,665	5.1
Montana	9,632	9,757	1.3
Utah	13,110	13,680	4.3
Wyoming	8,047	7,783	-3.3
Alaska	17,851	17,504	-1.9
Far West			
California	144,923	155,257	7.1
Hawaii	17,634	17,557	-0.4
Nevada	10,203	10,446	2.4
Oregon	43,528	43,672	0.3
Washington	45,540	45,315	-0.5
Total	2,217,253	2,258,428	1.9%

**Unless otherwise noted, figures represent full time equivalent (FTE) positions.*

NOTES TO TABLE A-9

Kentucky	Includes permanent full-time executive branch employees.
Massachusetts	1989 figure includes 54,606 filled positions funded from state budgetary and bond-funded appropriations in executive branch agencies (excluding higher education), and 10,566 in legislative staff, judiciary and other constitutionally independent agencies (e.g., attorney general, state auditor); and 4,481 funded from federal grants and trust funds (again excluding higher education). Figures exclude board and commission members and seasonal help.
Mississippi	Figures include full-time and part-time authorized positions.
North Carolina	Figures exclude public school teachers, universities, and the community college system.
North Dakota	Figures are composed of FTE count for agencies on the central payroll system and actual number of employees as of mid-June payroll for the Bank of North Dakota, Mill and Elevator, and Job Service.
Oklahoma	Figures for both years are for May 31.
South Dakota	1989 figure is estimate based on budget.
Texas	1989 figure is from February 1989.
Vermont	1989 figure is from March 1989.
Virginia	1989 figure is from May 1989.